



Comdex

Why not make it a 'virtual' show?



Singapore

Thinking of rejoining Labour mobility vital a surging Malaysia

Emu, a Fed view

to US monetary union

Personal view, Page 10

World Business Newspaper http://www.FT.com

within criteria for Maastricht

Britain joined the list of countries promising to achieve the Maastricht criteria in 1997 with a Budget which made small cuts in planned government spending and income tax. Chancellor of the exchequer Kenneth Clarke said the UK's government deficit next year would "by happy coincidence" be lower than the Maastricht threshold of 3 per cent. Reports, Pages 7 and 8;

Angle defends purchase of Lourse stake

Julian Ogilvie Thompson (left), chairman of Anglo American Corporation of South Africa. fended off criticism of the company's purchase of a 26 per cent stake in conglomerate Lonrho as he unveiled strong interim results. Headline earnings, which exclude exceptional gains and losses

and surpluses on disposal of investments, increased by 22 per cent to R2.443bn (\$580m), well ahead of forecasts, Page 18

Pearson pays \$336m for US published Media and entertainment group Pearson extended its international publishing interests by paying \$336m for Putnam Berkley, a publisher of best-selling authors in the US. Page 13

Iraqi oil exports set to resume: Resumption of Iraqi oil exports under the oil-for-food deal agreed with the United Nations is likely to begin in January, western diplomats

GM's claim against VW allowed: A Detroit judge turned down a plea from German carmaker Volkswagen to dismiss racketeering claims against it by US car maker General Motors. The decision opens VW to potentially higher damages claims in GM's civil lawsuit.

France plans further Bull self-off: The French government said it plans to sell at least another 5 per cent of computer maker Groupe Bull, which would reduce its stake to below 50

Germany to allow share buy-backs: German companies should be able to buy back up to 10 per cent of their shares from 1998 under government plans. Page 2

Moscow gives exchange rate pledge: Russia announced the extension of the rouble's sliding peg exchange rate until the end of 1997. Ministers said the move demonstrated the stability of the economy. Page 2

Fourth quarter results lift Disney: US year net profits 16 per cent ahead at \$1.5bn. helped by fourth quarter improvements from films, theme parks and broadcasting. Page 18

US-Japanese insurance talks fail: US and Jananese trade officials wound up talks after failing to settle their dispute over foreign access to Japan's \$380bn insurance market. Page 4

Danish exchange seeks amalgamation: The Danish stock exchange said it was interested in forming a common Nordic bourse with Stockholm, Helsinki and Oslo in an attempt to meet the challenge of stock market integration in Europe. Page 13

South Korea set to join OECD: The South Korean parliament approved Seoul's member-ship of the Organisation for Economic Co-opertion and Development, removing the last hurdle to joining the club of advanced industrial nations. Page 5

Uister ceasefire hopes tade: Hopes of a new IRA ceasefire faded after Sinn Féin president Gerry Adams claimed the British government was poised to reject his party's terms for admission to talks on Northern Ireland. Investment 'set to fall', Page 6

Jardine Fleming withdraws nominee: Hong Kong-based investment bank Jardine Fleming withdrew its nominee for its first member of the Karachi Stock Exchange after an accusation that the man had submitted a forged document. Page 12

100 officials face Miti inquiry: Japan's Ministry of International Trade and Industry launched an inquiry into the activities of 100 senior officials in an attempt to clear up allegations of corruption. Page 5

E STOCK MARKET HIDICES E GOLD

New York: Impositions	New York: Comex
Dow Jones Ind Av6,525.80 (-21.99)	
Excope and Far East	Leader:
CAC402275.08 (-2.06)	chose _\$374_8 (375.0)
DAX2810.64 (+11.45)	
FISE 1004,068.4 (+13.8)	M DOLLAR
Nikkei	New York: kinching
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Federal Funds	FFr5.17105
3-mith Treas Bills: Yel .5.144%	SFr1.292
	Y112.535
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Yield	Loodore
OTHER RATES	£1.5727 (1.6725)
	DM1.5276 (1.5192)
UNC 3-mo Interbank6.3% (6.2%)	FFr5.1828 (5.1423)
UNC: 10 yr GBt10012	SFr1.2938 (1,2828)
France: 10 or OAT105.20 (105.04)	Y112.725 (112.5)
Germann: 10 yr Bund "103.22 (103.11)	1112120 . \1124
Japan: 10 yr JGB103.1666 (102.680)	Tokyo close: Y 1125
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Foreign Exchanges 19

Budget to put UK | Swiss bank faces first loss since war as it takes charge to cover problem loans

WEDNESDAY NOVEMBER 27 1996

UBS credit rating put at risk

By William Hall in Zurich

Union Bank of Switzerland, one of the world's strongest banks, has imperilled its Triple A credit rating by taking a SFr4.4bn (\$3.5bn) charge to cover its problem loans. The charge will result in the bank's first loss since the second

UBS, which has substantial investment banking and asset management businesses in ondon, also announced yesterday that it was moving the management of its European division, apart from Zurich, to London. Mr David Robins, chief executive of UBS UK. will replace Mr Felix Zumbach on the group executive board and will be responsible for a ing Triple A-rated banks losing region that also includes eastern Europe, the Middle East

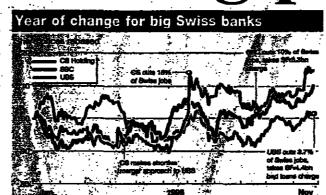
vote of confidence in the City

of London. SBC Warburg, Swiss Bank Corporation's investment bank, has already moved its headquarters to London. UBS indicated it felt London's importance as a financial centre would grow whether or not the UK joined the European single currency.

The decision to take a spe-

cial SFr3bn charge, in addition to a normal SFr1.4bn provision for 1996, will result in a SFro.5bn loss for 1996 and reduce the group's Tier I capital ratio from 9.7 per cent to 9.0 per cent. Moody's, the US credit agency, confirmed URS's Triple A rating but Standard & Poor's put UBS on Credit-Watch which could result in one of the world's last remainits coveted title.

However, the huge provision and the long-awaited restruct-The move is a significant uring of the group's Swiss vote of confidence in the City business disappointed many



analysts who had hoped UBS would attack costs and boost its return on equity more aggressively. UBS's decision to reduce its domestic workforce by 800 jobs, or by 3.7 per cent, and close 10 per cent of its domestic outlets contrasted with the massive restructuring

announced by Credit Suisse and Swiss Bank Corporation. UBS bearer shares fell SFr41, or 3.2 per cent, to SFr 1,229 in Zurich last night. UBS said the planned changes would boost earnings by around SFr200m a to meet the group's target rate year. But Mr John Leonard of of return on equity of 12 per Salomon Brothers had been cent by 1999. Mr Cabiallavetta

earn only 12 per cent on equity on a loan book which appeared

Swiss banks, it had underestimated how fundamentally the Swiss economy had been hit by structural change. "We did not fully recognise the seriousness of the situation," said Mr Mathis Cabiallavetta, the new chief executive. He admitted UBS did not assess the risks accurately and had made mistakes when granting loans. The traditional property-based approach to secured lending had been a "costly mistake".

Yesterday's special provision, which will reduce group equity from SFr23bn to SFr21.5bn, will make it easier

hoping for a figure of double stressed that by clearing the that and was also disappointed portfolio of long-standing prob-that the bank was planning to lem loans UBS could "reinvigorate" its lending business. The uncertainty had been having a to have been cleaned up. "crippling effect" on the UBS said that, like other morale of staff involved in

lending operations. In addition to trimming its domestic Swiss network, UBS announced it was replacing the managers of 31 economic areas with eight divisional chiefs. It was moving its non-Swiss regional European headquarters to London and spinning off its Swiss institutional asset management business into a separate entity to avoid conflicts of interest.

Mr Cabiallavetta said that by removing the problem loans UBS's earnings would be

Observer, Page 11; Lex, Page 12; UBS's European changes

Havana refuses to accept Spain's

new envoy By David White in Medrid and

Cuba yesterday refused to accept a new ambassador named by the Spanish government, plunging relations between Madrid and its onetime colony to their worst level since the early days of the Castro regime.

Pascal Fletcher in Havana

Tensions have been rising between the two countries since Mr José María Aznar arrived at the head of a new centre-right government is Madrid six months ago. In its main foreign policy initiative. the government has toughened Spain's stance towards

The change was signalled by the naming of a new ambassador to Havana in August, even though the current ambassador took up his post only last

The new envoy, Mr José Coderch Planas, was due to arrive next month, after receiving approval from the Havana authorities. But Cuba told Spain yesterday it was withdrawing its approval. The Cuban foreign ministry

referred to the Spanish government's "flagrant interference in the internal affairs of

By John Ridding in Hong Kong

The Hong Kong government

yesterday announced plans to

introduce laws on subversion before the return to Chinese

sovereignty in July next year.

raising the stakes in a dispute

The move, which follows a protracted deadlock between

Britain and China, is intended

to pre-empt laws which Beijing

demands should be introduced

after the handover, it comes

amid concern in Hong Kong

about China's stance on free-

dom of expression and the

harsh treatment of political

"Public concern about these

subjects has been building

since 1995," said Mr Peter Lai,

Hong Kong's security secre-tary. He said China had made

it clear in recent weeks that it

would not co-operate on the

issue and that time constraints

ahead of the handover had

forced the government to act

Asia Pacific News

World Trade News

dissidents on the mainland.

with Beijing.



Spanish foreign minister Abel Matutes said Madrid was keeping "all options" open after Cuba refused to accept a new ambassador named by the Spanish government

Cuba". It criticised Mr Coderch for saying in a recent Spanish newspaper interview that he intended to maintain contacts with and assist Cuban dissidents who opposed

Cuba's one-party communist Mr Abel Matutes, Spanish foreign minister, said Madrid was keeping "all options'

Hong Kong to pre-empt

Beijing on subversion law

Beijing condemned the deci-sion, warning Britain that it would be held responsible for

breaching an agreement to dis-

cuis important transitional issues. British and Hong Kong officials expressed hope that

the issue would not lead to a

broader dispute or reverse the

China insists that under

article 23 of the Basic Law,

Hong Kong's post-handover

constitution, laws on treason,

secession, subversion and sedi-

tion should be enacted by the

new government. The Hong

Kong government claims, how-

ever, that the lack of existing

laws and uncertainty about

the timing of new legislation

"It would not be desirable to

leave a legislative gap in this

important and sensitive area."

said Mr Lai. He claimed that

the laws would facilitate the

task of the new government by

enacting workable proposals

which could then be adapted. However, Mr Lai accepted

meant it had to act.

improvement in co-operation.

open for responding to the gesture but did not want to deepen the crisis. "We want to maintain relations with Cuba," he said.

Mr Matutes described the Cuban move as "surprising" and said it went against the "spirit of dialogue" which

Continued on Page 12

that China might simply ignore the legislation and introduce its own bills. Beijing

plans to replace the existing elected legislature with a pro-visional body, selected by a

The proposed legislation miphasises the use of force in

its definition of subversion.

This contrasts with Chinese

can include printed or spoken

criticism of government lead-

ers, and with recent state-

ments by senior Chinese offi-

cials concerning freedom of

ion in Hong Kong.

Mr Qian Qichen, China's for-

eign minister, has indicated

that demonstrations to com-

memorate the suppression of

pro-democracy protests in Bei-

iing in 1989 should not be

allowed in Hong Kong after

the handover. Along with the

severe penalty against Mr

Wang Dan, the Chinese dissi-

dent who was imprisoned for

11 years last month, such com-

Strare Information 24,25

ments have fuelled concern.

400-member committee.

Jakarta backs Barrick over Busang gold find

By Bernard Simon in Toronto

The Indonesian government has urged Bre-X Minerals, a small Canadian company that most promising gold deposits, to sell the bulk of its 80 per cent stake in the Indonesian deposit to Barrick Gold, the largest gold producer outside South Africa.

This "guidance" from the government was disclosed yesterday after shares of both companies were suspended. After the suspension was lifted, the value of Barrick on the Toronto Stock Exchange jumped by C\$1.2bn (\$900m), while the news knocked 2m off that of Bre-X.

Indonesia's ministry of mines and energy also indicated it "would appreciate it if the parties could consider a 10 per cent participation being to the resource rests with the given to the Indonesian government." A 10 per cent stake in the Busang deposit would be worth close to C\$500m. based on Bre-X's present mar-

ket value.

by one US analyst as the "gold discovery of the century" is estimated to contain at least 47m ounces of gold, and possicontrols one of the world's bly as much as 100m ounces. The deposit is expected to be developed into one of the world's biggest gold mines, with production starting around 2000.

The Indonesian guidance to Bre-X appears to stem from growing unease in Jakarta over a series of legal disputes involving the company, includ-ing claims by other companies for an interest in Busang. The government also doubts the capacity of Bre-X, which has no significant assets other than its stake in Busang. "They're fed up with the whole situation." one mining industry source said yesterday.

Under Indonesian law, title government. Bre-X has an exploration licence and is waiting for a "contract of work" that would allow it to proceed with mine construction. A Barrick official said

Busang, recently described yesterday that "the ministry decided we were eminently qualified to bring the deposit to production quickly".

Barrick, which is controlled by Mr Peter Munk, the Canadian entrepreneur, cautioned vesterday that there was no assurance an agreement would be reached with Bre-X. Under the Indonesian pro-

posal, Barrick would own 75 per cent and Bre-X 25 per cent of the Bre-X stake.

The Indonesian authorities have indicated that if Bre-X and Barrick fail to conclude a deal by Dec 4, they will take the "necessary steps" to prevent further delays in developing the deposit.

Bre-X has recently agreed to pay consulting fees totalling US\$40m and to transfer a 10 per cent stake in Busang to President Suharto's eldest son, in return for his assistance in bringing the mine to production.

Barrick has formed an association with a construction company controlled by the president's daughter.

This announcement appears as a matter of record only.

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Moscow gives exchange rate pledge

By Chrystia Freeland in Moscow

Russia's top economic ministers yesterday announced the extension of the rouble's sliding peg exchange rate until the end of the 1997, in a decision they said demonstrated the stability of the Rus-

The rouble will begin 1997 in a currency band ranging from slide gradually downward through-

ing to defend the rouble within the sliding band.

Yesterday, the rouble traded at Rbs6.497 to the dollar on the Moscow Interbank Currency Exchange, the main foreign exchange market.

Mr Alexander Livshits, the min-Rbs5,500 to Rbs6,100 against the ister of finance, said the decision, dollar. The hand will be allowed to signed into law by the prime minister and chairman of the central out the year, reaching an upper bank on Monday, was a public range of Rbs5,750 to Rbs6,350 on guarantee that the government would stick to its current tight fis-The Central Bank will extend its cal and monetary policies.

exchange rate for the rouble there will be no massive financial 1997 draft budget, Mr Livshits said against foreign currencies, pledge injections into the Russian econthat in order to defend the rouble omy next year. We will not print money." Mr Livshits said.

The government has been under mounting pressure from the country's cash-strapped commercial banks and factories to ease its austere anti-inflation approach.

But Mr Livshits said the decision to extend the currency band for a year meant the Kremlin was making a public promise to hold down inflation and the budget deficit. In what amounted to an ultima-

tum to the Communist-dominated parliament, which has been hold-

"Yesterday's decision means that ing up passage of the government's corridor next year the cabinet would be forced into holding the budget deficit down to 3.5 per cent of GDP and inflation down to an annual rate of 11.8 per cent.

Government ministers said yesterday's pledge was an important milestone for a country which only two years ago was struggling with hyper-inflation.

coincided with a bleak warning from another top cabinet minister. mier, leaked to a Moscow newspa-

urgently required a package of measures to stimulate growth.

Mr Yasin, who is one of the most respected reformers in the cabinet. said the government's revenue forecasts for 1997 were unrealistic and warned that without a new approach Russia's prolonged economic depression could continue.

"If the existing trends in the economy are continued without But the upbeat announcement energetic and purposeful efforts to break them and create real conditions for economic growth, the sit-In an official letter to the pre- nation will in all probability get worse," he wrote

Belarus leader close to winning political tussle

in Minsk

President Alexander Lukashenko appeared to have won his tussle with the Belarus parliament yesterday when more than half the country's deputies endorsed constitutional changes that give him broader powers.

More than 100 deputies out of 199 are meeting separately and trying to form a new lower bouse of parliament. They cannot formally do this until the final results are known in five days' time. They are reported to have declared the old parliament invalid. Their backing for the president left some 70 deputies, who have called Sunday's referendum on the reforms "illegal", struggling to maintain the appearance of

legitímacy. The president's constitution creates a new bicameral parliament and high court, and gives him added authority to nominate members. Mr Lukashenko antomatically gets another two years in office, extending his term mtil 2001.

was further bolstered yesterday when the constitutional court, which has struck down his decrees in the ation of the parliament's impeachment motion. for those in the dock is

and the US have said the referendum was marked by serious voting irregularities. The US State Department said the referendum was 'deprived of legitimacy", while a Council of Europe delegation said it would not accept the authority of a

However the Kremlin, for quoted by Interfax news be misused by politicians." agency.

EUROPEAN NEWS DIGEST

Paris plea for trucks pact

The French government yesterday instructed its mediator to try to hold non-stop negotiations between truck drivers and their employers in an effort to stop the 10-day dispute worsening today.

By yesterday morning, after 50 hours of talks, the road haulage companies and their employees had settled minor issues such as sick pay and extending the ban on Sunday movement of road freight to all drivers of all nationalities Mr Robert Cros, the government mediator, reconvened the talks yesterday afternoon to try to resolve the main sticking points over retirement and pay.

Mr Jacques Barrot, the labour minister, called for a deal with 24 hours" to defuse union threats to widen the action today. The drivers have so far mounted 160 blockades of roads and petrol depots.

In a separate dispute, airline crew are also due to strike today and tomorrow. The International Union of Road Hauliers in Geneva yesterday demanded that France take action to help foreign drivers "taken hostage" in the

Serbs maintain poll protests

In the wake of their biggest demonstration ever, Serbian opposition leaders yesterday kept up their pressure on President Slobodan Milosevic with fresh protests and an appeal to the Serbian Supreme Court.

More than 10,000 students yesterday renewed their protest against a court decision to annul opposition victories in local elections across Serbia, including the capital, Belgrade, on November 17. They chanted: "We won't give up Belgrade" and wore masks initialled TNP - "Stop The Robbery", abbreviated in Serbian.
Yesterday marked the eighth day of protest, and leaders

of Zajedno (Together), the opposition coalition, said it would surpass Monday's demonstration when more than 150,000 marched through the city centre.

Opposition leaders yesterday appealed to the Supreme Court to reinstate the election results in municipalities already confirmed as won by the opposition. The Court must rule by today, when a third round of polling ordered by lower courts is due to be held. Laura Silber, Belgrade

German steel pay talks fail

IG Metall, the German metal workers' union, said yesterday that regional wage talks in North Rhine-Westphalia, which had been seen as the key to a possible national deal, had collapsed.

Mr Martin Kannegiesser, the employers' negotiator, said the talks had foundered on disagreements over a new model which sought to link special payments to sick

Schengen hitch for Austria

Austria may be forced to delay implementation of the Schengen accord on the elimination of border controls because of problems with the central Schengen computer. Mr Caspar Einem, Austria's interior minister, said the central computer in Strasbourg for the exchange of police data was designed for only eight participating countries and was currently used by seven – Germany, France, Beleium, Netherlands, Luxembourg, Spain and Portugal. Austria, Italy and Greece are supposed to join the Schengen group on July 1 next year. Eric Frey, Vienna.

French hopes on trade surplus

France-

Visible trade balance, FFtbn



earlier in the year.

trade minister, said he was aiming for a further improvement in 1997. He said French companies were well placed in a number of important markets including water, transport, energy, telecommunications, food and financial services. September's seasonally adjusted FFr10.08bn surplus. published yesterday, took the running total for the first nine months to FFr86.76bn, compared with FFr72.32bn in the same period last year. Coming after the record FFr13.37bn surplus in August, yesterday's figures confirmed the impression that the country's trade balance: is improving again after appearing to run out of steam David Owen, Paris

The French government

impressive monthly trade

figures to predict that the

country's overall 1996 trade

with just over FFr100bn in

yesterday seized on

surplus could rise to Έτ120bn (£14bn) co

1995. Mr Yves Galland,

Spanish PM in jobs drive

Mr José Maria Aznar, Spanish prime minister, yesterday responded to poor opinion poll showings by telling unions and employers they should conclude a deal on more flexible hiring and firing rules by early next year. His declaration coincided with official figures showing

an unexpected fall of 21,000 in the number of jobless in the third quarter to 3.51m, or 21.91 per cent of the available workforce. This was the lowest rate since early 1993. However, the number of Spaniards looking for a first job rose by almost 55,000, according to the quarterly David White Madrid Consumption of manufactured products in France fell

by a seasonally adjusted 2.6 per cent in October following a downwardly revised fall of 1.6 per cent in September. The Swedish Central Bank said that it cut its repo rate to 4.35 per cent from 4.60 per cent and that it was seeking tenders for 7-day reverse repos expiring on

Germany to allow share buy-backs

Ralph Atkins in Bonn

German companies should be able to buy back up to 10 per cent of their shares from the beginning of 1998 under plans published yesterday by the justice and economics

The buy-back proposals form part of a wide overhaul of legislation covering public their own shares for no lonlimited companies that will also dilute the power of banks over their industrial and commercial holdings and encourage greater professionalism in Germany's supervisory boards.

Mr Edzard Schmidt-Jortzig, the justice minister, said the proposals, which will be next year before being subdesigned to rectify weaknesses in Germany's system Another important aim was to boost transparency and strengthen Germany as a financial centre by bringing German practice more into line with trends abroad.

the "mad cow" crisis over

facts which call into oues-

tion the behaviour of

national governments, the

European Union's veterinary experts and the European

There clearly was a lot of

mismanagement," said Mr

Reimer Böge, a German MEP

and chairman of the commit-

tee of inquiry into bovine

spongiform encephalopathy

(BSE) which wraps up next

month and will deliver its

believes, was the attempt to

lem". Chief among the

accused stands the UK. Evi-

dence delivered so far paints

a dismal picture of inade-

quate control and poor man-

agement in Britain where

the government failed to

implement anti-BSE mea-

The most important of

these was a ban on feeding

meat and bonemeal to cattle.

This only came fully into

force in July 1996 despite UK

control and management

and UK officials have admit-

There was a real lack of

legislation in 1988.

final report in January.

Commission

he European Parlia- way," Mr Böge said.

the last eight years has standing veterinary commit-

The biggest mistake, he sation has been that Com-

"try to minimise the prob- Mr Ray MacSharry, farm

the increased scope for companies to buy back their shares would meet European Union law and be a boon for cash-rich businesses. He was confident that this would not lead to abuse. Companies would have to secure the approval of their shareholders for buy-backs and would then be empowered to buy ger than 18 months. They would not be able to exercise voting rights on the shares

they acquired. The draft legislation will give more rights to ordinary shareholders by banning both multiple voting of discussed in cabinet early rights. Banks will be unable to use open-ended proxies mitted to parliament, were granted by cliebts at the held in their own portfolios of corporate governance. in cases where their own shareholdings exceed 5 per

scandals in recent years, the ministries want company supervisory boards to be leaner and more efficient. These boards will in general Mr Rainer Funke, justice be limited to 12 members

council of ministers and the

taking decisions to safeguard

human health on the

grounds that there was

insufficient scientific evi-

dence to warrant drastic

findings relate to the Com-

mission officials, including

commissioner between 1989

and 1992, and Mr Guy

Legras, the EU's top agricul-

ture civil servant, tried to

keep discussions on BSE to a

minimum in an effort to pro-

Mr MacSharry and Mr

Legras both vehemently

denied the charge when they faced the inquiry. "I have

never exercised any pressure

on anybody not to disclose

information about the prob-

added that "managing the

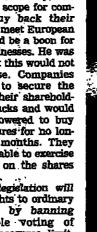
market was never, I repeat

never, given priority over measures to protect health".

The inquiry has also dis-

lem," Mr MacSharry said. He

tect the beef sector.



shares and measures limiting shareholders' voting same time as voting shares cent of a company's capital. In response to a succession of corporate failures and boards.

against 16 to 20 at present. represent the first signifi-Responsibility for appointing cant reform since 1974. auditors will be taken from companies' managing boards and given to the supervisory

The proposals, while wideranging, are not radical. Mr Schmidt-Jortzig said that

and bonemeal plants in the

behaviour and led to tighter

ction. Mr MacSharry and Mr this year to lift the export
But the most sensitive Legras admitted the omis- ban on British gelatine.

sion, but argued there was

mission. The principal accu- an acute shortage of quali- Franz Fischler, commis-

Commission had 12 staff in

ket to vetting third-country

Mr MacSharry said he had

Mr MacSharry blamed the

UK for negligence in imple-menting laws designed to

reduce the risk of mad cow

disease. "When decisions are

and departments in the Com- received it.

them," he said.

Caroline Southey on startling facts unearthed

by MEPs' inquiry into handling of the crisis

the main cause of BSE.

unearthed some startling tee. Both bodies balked at 1994. Inspections could have being taken in the UK was

BASF and Bayer have been pressing the government to allow share buy-backs for some time and originally were hoping that new regu-

emerged that an inspection

The BSE inquiry is also

mission's decision earlier

MEPs will question Mr

why he backed a decision to

report on how the products

The report, prepared by an

guarantees could be given

on the safety of gelatine,

even after it had been sub-

president of the gelatine

Mr Reinhard Schrieber,

them," he said.

report before the decision to should be curbed." he said.

There is also evidence that lift the ban was taken. The But, he added, "I want a bal-

conflicts between individuals Commission denies it anced result. This should not

jected to special treatment.

could be made safe.

UK between June 1990 and report critical of measures

controls on infected feed attempting to unravel the

which scientists believe was real story behind the Com-

fied inspection staff. The sioner for agriculture, on

1991 whose responsibilities lift the ban on British gela-

ranged from ensuring impletine and tallow before he mentation of the single marbad received a definitive

pressed, unsuccessfully, for independent research insti-

the number to be raised to tute, found that no absolute

taken at community level, it manufacturers of Europe,

is the responsibility of mem- told the inquiry the Commis-

ber states to implement sion had been given the

uncovered the UK's lax not followed up.

Debate on Germany's 1997 budget opened yesterday with the opposition Social Democratic

party accusing the government of undermining optimism, as well as investment in

research and education, with its planned savings. Chancellor Helmut Kohl (pictured above)

parties for a limitation of Large companies such as Mr Schmidt-Jortzig said

lations could be in effect in He noted that Deutsche Germany company law had 1997. The banks have Bank had already set the "in general proved to be broadly accepted the propos-sound". The package would als, which fall far short of holdings as a long-term goal.

the plans would counter the accumulation of influence among Germany's big banks.

whether MEPs conclude this

all amounts to a conspiracy,

There is a great deal at

stake. Mr Böge believes the

parliament's reputation rests

on the results of the inquiry,

the first to be completed by

the parliament under powers

given to it by the Maastricht

treaty. "If we are successful,

it will prove that the parlia-

Plumb, a British MEP sitting

Mr Böge is aware that a

damning report, particularly

one that singles out the

Commission, could have

serious political conse-

"Some fear that a bad

result could be used by some

member states to argue that

the Commission's powers should be curbed." he said.

on the inquiry.

quences.

he said.

or simply a series of errors.

calls from leftwing political

BSE probe leaves few unscathed The president's position covered that the Commis- mission led to confusion and "There are inconsisten-L into the handling of errors on the part of the inspection teams to meat instance, evidence has have to establish the truth." But the critical question

As the opposition lost momentum, few public protests materialised yesterday. and snow and fog descended on the capital, Minsk. The government claims

70.4 per cent of all registered voters in the isolated and rural ex-Soviet republic of 10.7m people backed the constitutional proposals on Sunday. But the European Union

ment can use this right of inquiry to find the truth and uncover mismanagement. But there is increasing nervousness in some quarters about the outcome. "I think we have spent too much time looking back. There has been too much of new parliament. witchhunt," said Lord

long the Belarusan leader's strongest ally, gave its backing to Mr Lukashenko, pointing to what it said was popular support for the constitutional changes. In spite of earlier expressions of concern over political instabil-ity, Mr Victor Chernomyrdin, the Russian prime minister, yesterday congratulated Mr Lukashenko for "a real victory", according to a Belarusan official

Thessaloniki's train project stalls, with no contract signed, while Athens' steams ahead

Greek minister under pressure over metro

By Kerin Hope in Athens

Costas Laliotis. Greece's public works minister, is under pressure to decide the fate of a Dr160bp (£403m/\$672m) underground railway project in Thessaloniki, the northern Greek city whose resiexcessive share of the public investment budget

There is mounting impatience among Socialist deputies from the north and Thessaloniki-based cabinet ministers for Mr Laliotis to give the go-ahead for the metro project, to be funded through a mix of EU grants, loans from the European Investment Bank and private sector financing.

"The Thessaloniki metro file has

uty. Meanwhile the Athens metro
project is halfway finished and is
getting billions of drachmas in

Mr Laliotis must deal with one
large Greek construction company
rather than an international engirather than an international engirather than an international engirather than an international engirather than an international engiextra funding from the Union." Greece has made progress this

bridge across the Corinth Gulf. Mr Lallotis has learned how to push Greek bureaucrats into neering group, and two Italian conaction, tap the skills of investment tractors. Mechaniki has an 80 per bankers, and persuade quarrelsome cent stake and would put up most local contractors to co-operate with of the Dr25bn equity financing international construction compa- required for the project. nies working in Greece.

neering group or a local consor-

The other consortium partners are A.D. Trans of Germany, a member of the ABB international engi-

The metro would be a build-oper-

underground construction project came as a surprise. However, both Mechaniki's technical bid and its financial package were judged superior to that of Bouygues, the French construction group, in the bidding contest, according to public works ministry officials.

he decision was also a disappointment for Bouygues, which had hoped to win the Thessaloniki project after losing a tender to build a \$2.4bn extension to the Athens metro to a consor- that would highlight the city's past tium led by ABB and Siemens of as the capital of ancient Macedo-

experience of running a complex unpopular with its residents.

But he is reported to be under pressure from some cabinet colleagues to cancel the project and call a new tender because of Mr Emfletzoglou's close personal ties with leaders of the conservative opposition.

Mr Emfietzoglou says building a metro for Thessaloniki is his dream project. He pledges to make the single-line 9km railway beneath the centre of Thesasionisi a showcase project, with stationsnia, Alexander the Great's king-Mr Laliotis must decide whether dom, and the second city of the

ted that things could have been managed in another PERSONAL

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vear on several much-delayed infrastructure projects supported by the EU. Construction is under way on an Ecu2.2bn (£1.7bn/\$2.8bn) dents claim that Athens gets an new international airport for Athens, while parliament has ratified contracts for a Dr450bn toll motorway linking the city with the new airport and a Dr180bn toll

sat in the minister's drawer for But the Thessaloniki metro is dif- ate-transfer project, which Mechanthree years," says a socialist dep- ferent from other projects because iki and its consortium partners to let Mechaniki build the metro. Byzantine empire.

The previous conservative government awarded the project in August 1993 to a consortium which was led by Mechaniki, a Thessaloniki construction company controlled by a local businessman, Mr Prodromos Emfietzoglou. But the contract has still not been signed.

tract to a local company with no that could make him highly

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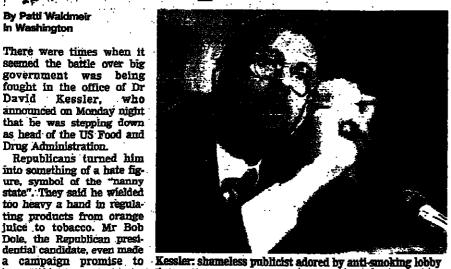
14792 **64**

In Washington There were times when it seemed the battle over big government was being fought in the office of Dr David Kessler, who announced on Monday night that he was stepping down as head of the US Food and

By Patti Waldmeir

Drug Administration. Republicans turned him into something of a hate figure, symbol of the "nanny state". They said he wielded too heavy a hand in regulating products from orange juice to tobacco. Mr Bob Dole, the Republican presidential candidate, even made remove him from office. As faceless technocrats go, Dr Kessler attracted an almost unprecedented amount of political venom.

am poll protes From public health advocates, though, came an equal amount of adulation. Especially in the area of tobacco regulation, where he introduced regulations designed to discourage teenage smok-



but reviled by opponents of the "nanny state" departing regulator. Antismoking advocates said he was the most important FDA commissioner ever; several

said he could claim a place in history for saving lives. Criticism focused on the character of Dr Kessler. described by Senator Orrin ing, there was fulsome Hatch - an erstwhile sup- done," he told a morning

praise yesterday for the porter - as a shameless pub licity seeker. Critics said he sometimes favoured publicity over public health. Dr Kessler said vesterday he was stepping down voluntarily after six years as FDA

head because he had accom-

plished his goals. "We did

what we set out to do. We're

an unusual move, when public health was not an issue. versy by calling for a mora-Dr Kessler tackled some of the most controversial transferred to his agency. bealth and safety issues,

Controversy over Dr Kes-

sler began soon after he was

immediately seized 40,000 gallons of Procter & Gamble

orange juice labelled as

fresh, but made from concen-

trate. Critics said this was

monly called the abortion yesterday. pill, and approving olestra, a controversial fat substitute. He also made important progress in speeding drug approvals, cutting the final review period from 30 to 17 months. A spokesman for

television programme. Dr Association yesterday hailed Kessler's wife has made no this progress. "He nudged things along" secret of the fact that she has long pressured him to said a drugs industry execu-

His moves to curb teenage smoking proved popular appointed in 1990, by former with the public, though the President George Bush. He question of whether tobacco will be regulated as a drug remains unresolved.

The tobacco industry expressed relief that Dr Kessler had quit. He considered nicotine an addictive drug and cigarettes "high technol-He provoked further contro- ogy nicotine delivery systems". As such, he lobbtorium on silicone breast ied passionately with President Bill Clinton's backing. for cigarette regulation to be

"The threat won't go away including putting on track but it has lost its champion, the approval of RU486, coman industry executive said

Dr Kessler will leave as soon as a successor is found. Speculation centres on his man and Mr Bill Schultz. Additional reporting by Nancy Dunne in Washin Pharmaceutical and Daniel Green and Rodsearch and Manufacturers erick Oram in London

Kessler quits the smoke of battle Argentine Plastic war' former minister charged

By David Pilling

Mr Oscar Camilión, former Argentine defence minister, has been indicted for allegedly failing to prevent - and subsequently covering up illegal shipment of arms to Ecuador during that country's jungle war with Peru in February 1995. Mr Camilión,

resigned over the scandal in July, has become the first cabinet member to be indicted during the twoterm tenure of President Carlos Menem which began in 1989. The Menem administration, which has been mired in numerous top-level scandals, has recently declared war on commution in reaction to public perception that officials are

mmune from prosecution. Brigadier Juan Paulik former head of the air force, was also indicted over the illegal arms shipments. Both men face up to three years in jail.

It emerged over a year ago that Argentina had sold Ecuador thousands of ageing rifles and several tonnes of ammunition in 1995, even though it was at the time conducting peace talks aimed at ending the war with Peru. Argentina is a guarantor of peace in the ong-running Andean border dispute under the 1946 Rio de Janeiro protocol.

Mr Camilión told a parliamentary investigation earlier this year that Argentina had been duped by arms brokers who had diverted shipments to Ecuador that had been intended for sale to Venezuela. Mr Jorge Urso, the judge investigating the scandal, called such explanations "puerile".

Argentina also sold arms to Croatia during 1991-95 while its own troops were in the Balkans as part of a UN peace contingent. Croatian shipments had supposedly been intended for Panama,

and its members have spent over the last decade to differentiate the Visa brand from The "plastic war" between American Express with our successful advertising camthe rival card issuers Visa USA and American Express paign and I'm astonished to find someone could misintersued its rival for "trademark pret our position on this infringements" over a issue."

over Visa

By John Authers

with Visa cards.

intensified yesterday as Visa

scheme which offered points

in the Amex loyalty rewards

scheme for payments made

Visa also announced that

it had amended its regula-

tions to make clear that

none of its members could

market American Express

The scheme at issue was

launched earlier this month

by Advanta, a Pennsylvania

bank which is the eighth

largest card issuer in the US.

in what was widely seen as

an attempt to test the rules

applied by Visa and Master-Card, both banking associa-

tions, to bar their members

from also offering American

American Express claims

the rules are anti-competi-

tive, and won support for its

position in Europe from the

European Commission,

where Visa now allows its

member banks to offer

American Express. It has

also taken legal action

against Visa in several Latin

The company has recently

altered its long-term strategy

of relying on direct market-

ing in favour of attempting

to build relationships with

banks. This has brought it

into direct conflict with

Visa, the world's largest card

issuer. Visa had been expec-

ted to take action over

Advanta's new product,

although it involves bring-

ing Visa into conflict with

Advanta, one of its mem-

Mr Carl Pascarella, chief

executive of Visa USA, said

the amendment to its rules

had been a "clarification".

He said: "Our existing regu-

lations clearly outline the

appropriate use of the Visa

brand. Couple that with the

American countries.

Express.

in New York

trademark

Visa complained that Advanta's marketing brochure included photographs of both a Visa card and an Amex logo on the same page, and that the company's product required Visa users to obtain an Amex card before they could use it, in effect using the Visa brand name as a "lure".

American Express claims the rules are anti-competitive and has won European support

The Advanta programme was "like a McDonald's franchisee using the Golden Arches as a customer draw and then selling them a Burger King Whopper once they're in the door and vice

Mr Peter Hart, Advanta's chief executive, said he was confident his company had acted "within the rules as of yesterday", and that he regretted Visa's action. which he thought was "inappropriate". He added that the new product had been tested with consumers, and had been popular, particularly with existing American Express card holders.

Mr Michael O'Neill, American Express vice-president, described the amendment in Visa's rules as "arbitrary and arrogant", and claimed the company was acting out of "desperation". He predicted that the issue would eventually be settled by competition authorities at the more than \$1bn (2800m) Visa US Department of Justice.

New signal standard for | Consumers stay HDTV agreed in US

The US has moved a step closer to a new era of highresolution television and personal computer screens with an agreement this week on technical standards covering the digital signals used by these appliances.

The accord, reached have covered the different between representatives of video formats covered by the the television and computer industries, also confirms US leadership in development of digital high-definition television (HDTV), a long-awaited technology that promises higher quality signals than traditional analog systems.

"This is the critical step" in the development of scanning technology used by HDTV, the National Association of Broadcasters said. gressive scanning used by "Without the standard, nothing would happen."

The standard is expected to be approved by the Fed- computer industry, however, to existing broadcasters.

mission before the end of this year, with a target date of the spring of 1998 for the first television broadcasts using digital signals.

The accord was reached only after representatives of the television industry agreed at the last minute to drop proposals that would standard. That, in turn, could prompt a battle in the future between rival video formats promoted by computer and television makers.

The original proposal had covered 18 different video formats. These included both the so-called interlatticed television makers and procomputers, a spokesman for the NAB said.

Under opposition from the

eral Communications Com- the limitation on formats was dropped, leaving manufacturers free to adopt their own - a move which computer makers say will level the competitive playing field

between the two industries. Despite this, the proposal adopted this week still contains "95 per cent of the original standard" for HDTV signals, which was first laid out a year ago, the NAB said.

Another important step in the development of digital broadcasting in the US is due next spring, when the FCC has said it will allocate frequencies for carring digital signals. Broadcasters will need additional capacity in the radio spectrum to carry the new signals while continuing their existing analog

The FCC has yet to say if it will auction the new frequencies, or hand them free

confident in US

US economy held steady in November, with most Americans remaining opti-mistic about business conditions as the all-important holiday sales season approached, the Conference Board, a private research group, said yesterday, AP

reports from New York.
The board said the consumer confidence index was 107.3 this month, the same as the revised October figure. The index jumped 6.9 points in July and 5 points in August, hitting a six-year high before weakening slightly in September and October. The board's present situa-

tion index, a separate measure of sentiment on current business conditions, rose to a seven-year high of 131 in November, up 6 points from October. "Consumers are more posi-

Consumer confidence in the tive about current business conditions than at any time this decade," the board said. "The strong level of confidence coupled with low unemployment, modest inflationary pressures and continuing wage growth should translate into healthy holiday sales in coming weeks."

Consumer spending accounts for about twothirds of the nation's economy, so businesses watch the confidence index closely. The index is derived from

responses to questions sent to 5,000 homes nationwide. Yesterday's report shows consumers are quietly confident about the current economic picture, with only 13 per cent of those surveyed saying current business conditions are bad.

But the outlook for the next six months was not as rosy, with only 14 per cent even though it has no armed expecting improvements.

MASTERCARD CORPORATE PAYMENT SOLUTIONS

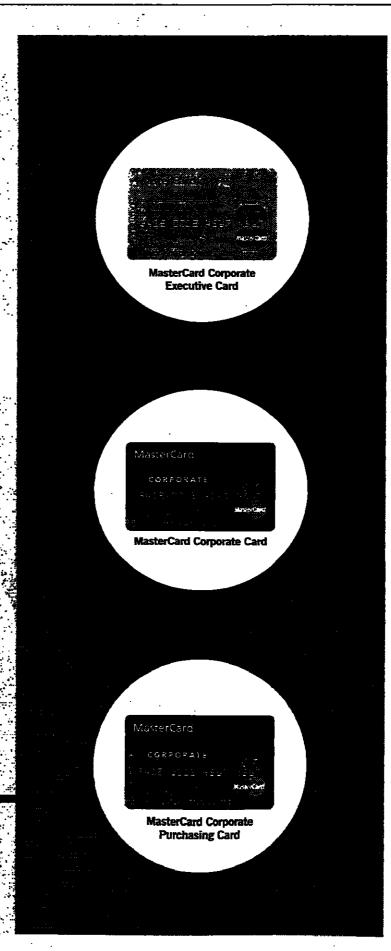
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Officials admit defeat in insurance talks

By William Dawkins in Tokyo

US and Japanese trade officials yesterday wound up talks after failing to settle their main outstanding dispute - foreign access to sky, acting US Trade Repre-Japan's \$380bn insurance

up to ministers to try to on December 6 and 7. The reach a deal by their dead- deadline, already extended

negotiator at the US Trade Shapiro.

Representative's office, said both sides remained far

Mr Hiroshi Mitsuzuka the Japanese finance minister. and Ms Charlene Barshefsentative, will launch a final attempt to resolve the dis-They said it would now be pute at a meeting in Tokyo

Mr Mitsuzuka said the situation was "severe" but added: "There is no agreement that can't be reached if there is a will."

The dispute concerns implementation of a 1994 bilateral accord, in which Japan promised to open its hitherto tightly restricted insurance market to all comers. What upsets the US is from July 31, would not be the order in which Japan

third sector, which includes foreign insurance groups personal accident and health policies.

From the beginning of October, Japanese life and non-life companies were allowed for the first time to enter each other's business through subsidiarles. The US has no objection to this. But it does have a problem

non-life and the so-called enter the third sector, where dominate, before opening the life and non-life sectors. where the Japanese have a

Foreign companies are unwilling to face Japanese competition in the third sector unless they are first rewarded with access to the life and non-life markets. with the finance ministry's The bilateral insurance Mr Ira Shapiro, senior extended again, said Mr has chosen to open the three plans allow Japanese life accord tries to deal with that sectors of the market - life, and non-life companies to concern by committing delay.

deregulate life and non-life insurance before opening the third sector to new competi-

One suggested by Japanese officials would be to delay liberalisation of the third sector for two years, during which time foreigners would be allowed into the rest of the insurance market. The US is pushing for a three-year

tion arm of Fiat, is also studying how to improve the

machinery's robotic system,

by moving the machines to

the marble rather than the

marble to the machines. Mr

Parlavecchio says the battle

for the contract, in which

impregilo beat off Bouygues,

Dragados, Dumez, ETI and

Skanska, also forced the company to go deeply into

all aspects of sub-contracting

to compete on price. "Sixty per cent of the value of the

project comprised finishing

processes and sub-contract-

ing played a big part in

While the bulk of Impregi-

lo's orders are for civil engineering projects such as

dams and hydroelectric

plants, the mosque project

will boost the company. It

only returned to profit in the

second half of last year after

a downturn in the Italian

construction sector caused

by recession and the Tangen-

topoli ("bribesville") scandal

which froze big infrastruc-

Forty-eight per cent of

ture projects in Italy.

WORLD TRADE NEWS DIGEST

Canadians in \$3bn China deal

Atomic Energy of Canada has signed a long-awaited C\$4bn (US\$3bn) deal to sell two Candu heavy-water nuclear reactors to China National Nuclear Corporation. The 700MW reactors will be built at Qinshan, about 80km south of Shanghai, next to an existing Chinese plant. The project also involves suppliers from Japan, the US

and South Korea. Canada's Export Development Corporation will provide financing for the Canadian component, totalling C\$1.5hn. The reactor contract, which has been under negotiation for three years, is the biggest commercial deal between China and Canada. Mr Jean Chrétien, Canada's prime minister, made a six-hour stop in Shanghai yesterday to attend the signing ceremony. Mr Li Peng, China's premier, was also present.

AEC, which went through a difficult period in the late 1980s and early 1990s, has also been huoyed in recent years by orders for three Candu units at Wolsong, South Bernard Simon, Toronto

Japanese win rocket contract

Rocket Systems Corporation, a consortium of leading Japanese industrial and electronics companies, said yesterday it had signed an agreement with Hughes Aircraft of the US to launch at least 10 satellites between 2000 and 2007 using a domestically developed rocket, the H-2A. It is Japan's first contract in the highly competitive commercial satellite launch business and, if successfully executed, will boost the country's ambition to develop a

ophisticated aerospace industry.

The consortium also said it expected to conclude soon a similar agreement with Space Systems/Loral of the US to launch about 10 satellites. Observers estimate the combined value of the contracts at more than Y200bn (\$1.8bn). They would give Japan a significant share of the world market, which currently averages about 30 Gwen Robinson, Tokyo launches per year.

GM to start Russian output

General Motors, the world's biggest carmaker, expects to start production of Chevrolet Blazer sports utility vehicles at its new Russian joint venture next month. Within two years, GM hopes to raise output to 4,500 Blazers a month. The vehicles are being built by a joint venture between GM and Elabuga Avtomobilny Zavod (ElAZ), an enterprise majority-owned by the government of Tatarstan, a self-governing region of Russia. EIAZ has 75 per cent of the company, GM the rest. Haig Simonia

Indian car parts venture

TVS, one of India's biggest automotive components manufacturers, is forming a joint venture with the UK's Unipart group under which components made by TVS and other Indian parts manufacturers will be marketed and distributed by Unipart throughout Europe. The 50-50 venture will cover commercial vehicle, motor cycle and industrial applications, as well as cars. The two companies said yesterday they would be seeking both aftermarket and original equipment business. TVS, which has an annual turnover of around \$1hn, employs 25.000 and already counts General Motors, Iveco. Mercedes-Benz and Nissan among its original equipment customers. It also has long-standing manufacturing joint ventures with a number of western components groups, including

Silicon chip masters marble challenge

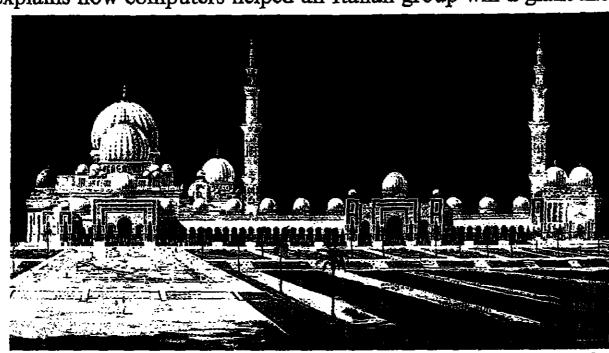
John Simkins explains how computers helped an Italian group win a giant mosque contract

struction company, Impregilo, is to build a mosque in Abu Dhabi 10 times the size of a football field which will have, among its rich furnishings, a chandelier the height of a seven storey building. It is the big gest overseas building contract won by an Italian comproduction technology.

The Grand Mosque ordered earlier this month by Sheikh Zaid bin Sultan, Abu Dhabi's ruler, and designed by Mr Yusef Abdelki, a Syrian architect, will be the largest in the Culf but will have a smaller haram, or covered area, than that built by Bouygues of France for King Hassan of Morocco at Casablanca. However, whereas the

king insisted on using local craftsmen and materials where possible, the sheikh is importing finishings of the highest quality for his marble structure which at L625bn (\$417m) will cost about twice as much as the Casablanca mosque. This is the second mosque to be built by Impregilo following the Abuja National Mosque in Nigeria and rewards Impregilo's efforts to apply computerisation to the challenges posed by producing works of Islamic art.

Mr Antonio Parlavecchio, Impregilo's lead engineer in the Abu Dhabi project, believes the company has Dhabi also intends to build an Islamic centre and a uni- Italy and has a 33 per cent



An artist's impression of the Abu Dhabi mosque, which will be the largest in the Gulf. Development of advanced marble cutting technology to reproduce works of Islamic art swung the \$400m contract Milan's way

versity, and Moslem republics in the former Soviet build the mosque in three Union are also commissioning mosques.

Italy will provide the mosaic glass, of which it is the leading producer, and most of the marble, crystal, gilded wood and golden brass. The value of the raw and processed materials and Italian labour amounts to about half of the order. Impregilo and its partner Rizzani de Eccher, which is based in Udine in north-east

share in the venture, aim to attractive white colour. and a half years. "To build it in such a short time we have to speed up production of most sophisticated equipment for carving marble," says Mr Parlavecchio.

The marble for the 180,000 square metres of internal and external facings, including 1,400 columns, will come from quarries at Carrara, in Tuscany, known for marble of uniformly high quality, durability and

Quite apart from the quantity of marble - equivalent to 10 per cent of Carrara's annual production - the marble finishing and use the order has spurred advancemarble-cutting machinery. In this, Italy is the world leader, through companies around Carrara and around Verona, the other main quarry area. One type of drill used will be a waterjet of 6,000 bars of pressure

unveiled at a recent Verona

marble exhibition and essen-

tial for cutting the moucharabyas, or Islamic screens. In the case of another type, used for intricate carving and design, Impregilo has asked the manufacturer to ment in computerisation of accelerate the speed at which the machine switches between different tools. In the case of both types and in that of a third, a wire-cutter, the project requires computers to drive more than one machine at a time, so as to speed up work.

Impregilo, together with so we try to be competitive Comau, the process automa-

Last technical obstacles fall away as Baghdad withdraws objections to terms of UN inspection

Iraqi oil exports set to resume in January

Impregilo's revenue comes from overseas. Its present structure is the fruit of a merger which saw impregilo team up with Fiat's construction interests and the Girola and Lodigiani groups to become the country's biggest construction group. "All our rivals have hig domestic markets," says Mr Franco Carraro, Impregilo's chairman. "But the market is still very depressed within Italy

NEWS: INTERNATIONAL

OECD spending | cement by 10%

By Graham Bowley

The Organisation for Economic Co-operation and Development, the industrialised world's most influential economic think-tank, is planning to cut its spending by 10 per cent over three years by axeing staff and

This will be on top of proposals for a 3.7 per cent cut in its 1997 budget discussed by representatives of its 28 member countries in Paris yesterday. Its budget this year was FFr1.1bn (\$210m).

The cuts have been forced by the decision last year by the US, the biggest contributor to the OECD budget, to scale back its contribution by 2.5 per cent.

This led to similar reductions by all countries, and followed several years of

Mr Jean-Jacques Noreau, OECD executive director, said yesterday: "We need to be in a position by next summer to be able to lay out a proper mid-term vision which enables us to look ahead to 1998, 1999 and

There is still uncertainty about whether the US will propose further cuts to its contribution this year and how other members would react if it were to do so. The US accounts for about

one quarter of the overall budget. Japan, which is the second biggest contributor. accounts for just under a quarter. Japan has been reluctant to become the largest donor, but has also signalled that it does not wish to copy the US with big cuts of its own,

Next year's cuts mean the loss of 75 administrative posts. About FFr40m is expected to be saved from cuts to support services. while rationalisation of the organisation's "outreach" programme is expected to save about FFr10m, Other discretionary spending cuts will yield FFr5.7m.

Egypt sell-off

sector was called into question yesterday when, after a six-month bidding process, it abandoned its most significant strategic sale to date. A £600m bid from France's Lafarge Coppée, one of the world's leading cement plant operators, for a majority stake in Ameriya Cement Company was rejected.

had nothing to compare it to and so we have decided to cancel the sale." Previously, all official announcements relating to this sale had stated that the government

Analysts have expressed extreme disappointment

Lafarge Coppée, Belgium's CBR and two Egyptian companies submitted offers. An official from EFG-Her-

mes Investment Bank, advisers to the government on the transaction, confirmed there were four offers, but said only Lafarge's bid met all the criteria, especially on price.

of Middle East operations at Lafarge, expressed his company's "great disappoint-

By Sean Evers in Cairo

The Egyptian government's commitment to relinquishing control of its large public Monday resolved outstand-

Dr Ateif Ebeid, minister of Public Enterprise, said: "Although Lafarge made a good offer, it was too difficult for us to make a decision based on one offer. We

had received four offers.

with Egypt's decision. They believe that its credibility in the international investment arena will be seriously damaged. In May Metallurgical

Industries Company (Micor), a public sector holding company, invited bids for 40 to 65 per cent of the very profitable Ameriya Cement Company. The market embraced this move as an indication mitment to privatisation was real. It quickly became the programme's flagship.

Mr Samer Berekdar, head

"Privatisation in Egypt is

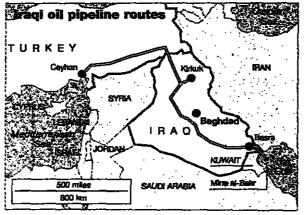
and Roula Khalaf in London

Resumption of Iraqi oil exports under the oil-for-food deal agreed with the United Nations is not likely to begin before January, western diplomats said yesterday. The Iraqi government on

By Robert Corzine in Vienna

ing technical snags holding up the deal, under which Iraq can sell \$2bn worth of oil over six months to buy food and medicine. The deal was agreed with the UN in May. But the US

had been withholding approval of the oil pricing mechanism submitted by Baghdad to pressure it into technical parts of the agree-



incursion into the Kurdish north.

giving up its objections to Iraq now appeared to have ment and approving Iraqi dropped its demands for staff hired by UN agencies. reducing the number of UN This in turn allowed the US The UN then put the deal observers who will inspect to remove its block on the on hold after Iraq's August distribution of humanitarian pricing formula.

goods as well as its insistence on monitoring the US officials said yesterday observers' freedom of move-

will this week submit his prices. interim report on the secu-He is expected to declare ilised, thus removing the last stumbling block to implementation of the oilfor-food arrangement.

oil pipeline from Iraq to Turkey have been completed and ensure that oil metering equipment on the Iraqi-Turk-ish border is functioning.

Delegates arriving in world prices would raise the Vienna yesterday to attend this week's meeting of the Exporting Countries were reluctant to comment pub- Vienna yesterday said Baghlicly on the Iraqi move, dad was ready to export oil although one Iranian official as soon as it received the spring.

Mr Boutros Boutros Ghali, said he doubted whether it final go ahead from the UN.

oil exporter. Last June Baghdad was UN monitors will also awarded a production quota

be around 500,000 barrels a But any weakening of

export levels, as the UN plan is based on a value, rather Organisation of Petroleum than volume figure.

Exporting Countries were One Iraqi official in

the UN secretary general, would make a big impact on Many of the preparations for exports had been completed Although Baghdad's deci- by last September, when the rity situation in the north. sion to accept the UN terms UN plan was suspended. came as a surprise to Opec Large amounts of Iraqi oil that the north has stab- delegates, the group has are reported to be in already laid the groundwork storage at the Turkish for Iraq's re-emergence as an port of Ceyhan ready for

Oil industry traders said the arrival of fragi oil at the have to make inspections to that should be more than start of the northern winter, check whether repairs to the sufficient to accommodate when petroleum demand is Iraqi exports, which at cur- at its annual peak, should rent prices would probably limit any slide in oil prices, although many have predicted falls of around \$2 a barrel when the oil in fact

reaches the market. The impact of the Iraqi exports on prices could be substantially greater in the second quarter of next year. when oil prices generally weaken with the approach of

Netanyahu calls time on champagne lifestyle

Israeli consumers must curb spending or the trade gap will yawn wider, writes Judy Dempsey

Netanyahu's That crash, combined with Netanyahu's
Israeli government is hoping its planned cuts in bonds and short-term Israeli consumers to curb their spending. It will not be an easy task.

at UBS. "They spend, spend, spend, No wonder the percentage of gross domestic Tel Aviv Stock Exchange. product is expected to grow from 4.7 per cent this year to more than 5.4 per cent in

Israelis saw little reason to inflation reached 444 per cent. Those who did invested their savings in provident funds. long-term savings which were fixed for periods of between 10 and 15 years fall from 7.1 per cent last

public expenditure will force deposits, caused a run on the provident funds. Returns declined and by last January the funds were showing a "The Israelis are acting as negative real yield if there is champagne every between 2 and 4 per cent. As day," said Mr David a result, savers jumped ship, McWilliams, chief economist redeeming Shk12bn over the past 10 months, almost twice from 22.8 per cent in 1990 to the amount redeemed for all 20 per cent this year. And as current account deficit is of 1995 and representing a percentage of net swelling." The deficit as a more than 10 per cent of the disposable income, they Those who redeemed the to 5.1 per cent over the same funds invested 50 per cent in period.

liquid funds, or short-term deposits. The remainder was chapuelled into financing save during the 1990s when personal consumption, such as imported cars and white goods, which has fuelled the current account deficit. Moreover, even though growth in the economy will

Benjamin between 4 and 5 per cent. per cent in 1996 compared nyahu's That crash, combined with with 7.2 per cent in 1995. "The Israelis have not yet stopped spending," he said. "The public is casting a vote of no-confidence against provident funds, signalling a change in public preferences regarding investments," he

As a percentage of GDP, private savings have fallen from 22.8 per cent in 1990 to have fallen from 10 per cent But the crisis in the

provident funds is only one reason behind the current low savings rate among Israelis. The impact of the 750,000 Russian immigrants is also a critical factor. "When they came in the early 1990s, they had no jobs," said Mr Hessel. "Now Until 1994, when the Tel stubbornly high. Mr Amir catch up with the Israeli Until 1994, when the Tel stubbornly high. Mr Amir catch up with the Israell "It is hard to pin down permanent instability in the reason to save for the future, Aviv stock market crashed. Hessel, head of research at standing of living. This Israeli attitudes toward Middle East and poor fiscal leaving Mr Netanyahu with

enormous pressure on the investment division at Bank current account deficit." Furthermore, the peace improve their living the government appear process led to a sharp rise in standards, to travel abroad, foreign investment and to buy an apartment - and growth, best illustrated by do all that now." the rapid explosion of large Other economists believe shopping centres, which and which received interest year to 3.8 per cent this year, they have. They are offered Israelis a wide uncertainty about the free of tax.

consumption has remained spending. They are trying to variety of imported goods. future, influenced by the

Leumi, "They want to

the deeply ingrained sense of

to save. "For what, if they do not believe in the future?" said Ms Daniella Finn from Batucha Securities.

Whatever the reasons for the recent fall in savings, the finance ministry remains determined to woo back Israelis to long-term savings and cut consumption through deep cuts in public spending and a possible tax on short-term savings

The omens for achieving this do not look good. Having had a taste of the good life during the first half of the 1990s, economists believe the Israelis are not yet prepared to tighten their

Nor, for that matter does committed enough to forcing through its planned tightening of fiscal policy. And if the peace process

unravels and the prospect of uncertainty about the greater instability looms, Israelis might see even less much more complicated these funds were making a these funds were making a than we expected," he added real annual return of consumption would grow 7.8 consumption as well as the Alisco, head of the other reasons why some troubles unresolved.

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CONTRACTS & T

PINAM

Ex-banker to take Thai finance post

Thailand's new prime an economist who is a memminister, General Chavalit ber of the "eminent persons" tionship, to begin a process
Yongchaiyudh, yesterday group in the Asia Pacific of democratisation.

Seven years ago," the said.

His remarks were echoe said he would appoint a forsaid he would appoint a for- Economic Co-operation In 1988, Gen Chavalit, then by US President Bill Clinton, "I keep my word. But at the and transport and Mr Pramer banker, Mr Amnuay (Apec) forum and head of commander of the army, was whom Gen Chavalit met same time it's open also. Dr chub Chaiyasan at foreign Viravan, as the country's the brokerage company Gen- the first senior international next finance minister but eral Finance & Securities, politician to visit Thalland's conceded that other key eco- will become commerce minshared with his coalition akul, former chairman of killed thousands. He urged

Two allies of Mr Amnuay

10 weeks after Gen Chaval- saying he would travel to have a very long relation-Economic Co-operation

"Now I have to tell them: real fight against crime, cor-

it's narrow election victory. Burma to urge that counship [but] you can't stay on to its people."

Mr Narongchai Akrasanee, try's military junta, with like this any more. [Have Gen Chavali

of democratisation.

His remarks were echoed by US President Bill Clinton, briefly yesterday. In a Amnuay will be the team affairs are members of the speech, Mr Clinton, returnwestern neighbour after a ing home after attending the sibility on economic mat- and largest party. nomic jobs would have to be ister. Mr Sompop Amatay- bloody crackdown which Apec summit in Manila, ters." said: "Every nation has an IBM (Thailand), was named the Burmese to hold elec-interest in promoting true

whom he has a close rela- elections] like you did six or previously said Mr Ammay ber. Mr Korn Dabaransi at would be given freedom to industry, Mr Suwat Liptachoose key ministers, said: panlop at communications chief... and will take respon- Chart Pattana party, the sec-

the new cabinet have been ception that the right people Two allies of Mr Ammuay deputy industry minister.

- both drawn from outside

- At the same time, Gen the political establishment - Chavalit unveiled a signifi
- Now I have to tall them: real fight against crime, coring six-party coalition. ing six-party coalition.

Gen Chavalit, who had the dominant coalition mem-

"Confidence will be The economic portfolios in restored when there is a perare in the right jobs and that they are working together as a united team for the benefit were also named yesterday, cant foreign policy initiative, I'm your best friend. We ruption and narcotics and a Mr Amnuay is nominally of their country," he said.

100 top officials in Miti probe

ASIA-PACIFIC NEWS DIGEST

Japan's Ministry of International Trade and Industry (Miti) yesterday launched an inquiry into the activities of 100 senior officials in an attempt to clear up allegations of corruption. The inquiry, announced by Mr Shinji Sato, the new Miti minister, is the latest twist in a saga which has also implicated senior members of the ruling Liberal Democratic party (LDP). Mr Sato promised disclosure of

Miti's probe concerns officials' relations with an Osaka oil dealer, Mr Junichi Izui, arrested on November 7 on suspicion of evading Y330m (\$3m) of income tax on questionable oil dealings. The inquiry comes in response to Japanese press allegations that Mr Izui spent lavishly on entertaining ministry bureaucrats in change for supposed business favours. Senior LDP members, including Mr Hiroshi Mitsuzuka, the finance minister, have admitted receiving political donations from Mr Izui, but within legal limits. William Dawkins, Tokut

Vietnamese reforms urged

Restrictive trade practices, slow progress on state enterprise reform and a lack of transparency in overnment decision-making need to be tackled urgently if Vietnam is to maintain the pace of economic reform and reduce poverty, the United Nations Development Programme (UNDP) said in a report issued yesterday. It comes ahead of a meeting of donor countries next month and amid rising concern that the Vietnamese leadership's commitment to the reform process may be ebbing 10 years

"The first message is 'stay the course'. The second message is that with an open-door policy, the door swings in both directions," said Mr Roy Morey, UNDP resident representative. Despite its desire to integrate

economically with its neighbours, Hanoi maintains a series of tariff and non-tariff barriers designed to shore up its largely ailing state enterprises and shield them from competition.

■ The Vietnamese government has suspended package tours to Hong Kong for Vietnamese tourists, claiming the trips were being used to flee Vietnam, according to a newspaper report yesterday. The General Department of Tourism said the ban was temporary, the Vietnamese-language edition of the Vietnam Investment

■ Only high-ranking Communist party members and senior government officials will be permitted to own satellite television dishes, Premier Vo Van Kiet has announced in a sweeping decree on access to foreign TV. The decree published yesterday in the Communist party newspaper, The People, said individuals would not be permitted to install home satellite dishes to receive foreign television signals but tourist and business-class

hotels designated for foreigners will have permission to

receive foreign broadcasts. Indian tobacco chief dies

Mr Kamal Ramnath, chief executive of the Indian tobacco division of ITC, the tobacco conglomerate, died of a heart attack on Monday, a company official confirmed yesterday. He died shortly after he was inducted into an interim management committee, set up to run the the company's affairs, pending finalisation of a management restructuring. Mr Rammath's inclusion in the committee came after several company officials, including two former chairmen, were arrested in recent weeks on alleged violation of foreign exchange rules in transactions AP-DJ. New Delha worth more than \$100m.

Rothwells case convictions

The long-running saga over Rothwells bank, the high-flying Western Australian bank which collapsed in the late-1980s, ended yesterday when a former director and auditor were convicted of conspiring to conceal the investment banking group's financial problems prior to its collapse. Mr Peter Lucas and Mr Louis Carter were remanded in custody for their part in a conspiracy to defraud the public by falsely stating the bank's financial position between 1983 and 1988, when it was liquidated. Rothwells was involved with some of Australia's most prominant entrepreneurs in the 1980s – notably Mr Alan Bond. The conspiracy also allegedly involved Mr Laurie Connell, the flamboyant Rothwells founder, who died of a

Nikki Tait, Sydney

By James Kynge in Kuala Lumpur

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Singapore's state-owned telephone company announced price cuts of 46 per cent for foreign calls yesterday in a move designed to sharpen its competitiveness. The announcement coincided with a warning by Mr Goh Chok Tong, Singapore's prime minister, about the city-state's waning economic competitiveness, especially in the electronics sec-

we have been having it good for too long. Some people may think miracles happen all the time," Mr Goh was quoted by Singapore's Straits Times newspaper as saying during the Asia Pacific Economic Co-operation (Apec) summit

in Manila Singapore Telecom, the state down in economic growth monopoly, is the kind of initiative many local companies are being forced to take to maintain their own and the country's competitiveness, economists said.

which is set to lose its monopoly in 2000 as the local market opens to foreign

competition. Mr Goh said it was necessary to identify the underlying causes of competitiveness problems which, he suggested, should cover the issue of whether the Singa-pore dollar is over-valued and the problem of high rental costs and to what extent other countries in the region are catching up with

Singapore. Singapore has by far the highest per capita income in south-east Asia, while its infrastructure and workforce are also widely regarded as the most efficient in the region. But rising manufacturing costs, as well as a global slowdown in demand for electronics goods, have The telephone tariff cut by contributed to a sharp slowthis year.

Under yesterday price announcements, calls to Malaysia and Japan are to be cut significantly, Singapore be the fourth in a year affected by the cuts.

Singapore PM Reforms in prospect as urges greater competitiveness S Korea set to join OECD by John Burton in Seoul South Rocks In the competitive in the

By John Burton in Seoul

South Korean parliament yesterday approved Seoul's membership in the Organisation for Economic Co-operation and Development, removing the last hurdle to joining the club of advanced industrial

OECD membership is expected to force Korea to open its financial markets and deregulate its economy. But analysts believe it will still take years to implement these reforms.

Of particular concern to foreign investors is what impact membership will have on the Seoul stock market, which yesterday fell to a three-year low.

In theory, the bourse should benefit as foreign shareholding limits are raised and as a fall in interest rates, caused by an open-ing of the bond market. increases market liquidity. The future of the market could be very bright," said Mr Henry Morris of Coryo Investment & Securities.

But this is unlikely to hapmarket is expected to be



abolition of limits on foreign problem. shareholdings in listed Korean companies.

Moreover, the government has refused to open the bond market completely to foreign investors until the gap between high Korean interest rates and low overseas ones narrows to two percentage points from its current 6-7 per cent. Officials admit this is not likely to occur until after 2000.

In the meantime, the stock

until the year 2000 for the issues could exacerbate the Any improvement in the

> stock market is likely to be gradual over several years. Mr Park Jae-won, head of tion and wage rates. research at Hannuri Salomon, predicts a market recovery as the government slowly reduces interest rates in preparation for full financial liberalisation. The government has promised to cut interest rates from 12 per cent to at most 9 per cent by

ess, economists said. Telecom said. Some 100 forpen soon under the governplagued by a continued that financial liberalisation strong commitment to ecoThe price cuts - effective eign destinations, including ment's current financial liberalisation strong commitment to ecofrom January 1, 1997 - will the US and UK, will be eralisation schedule. Foreign depressed the bourse. An expected as OECD member- tain whether his succ investors will have to wait expected wave of new share ship strengthens the position will share that belief.

sion," said Mr Cristoforo Rocco, head of Schroders Securities in Seoul. The parliamentary debate on membership reflected those fears. Opposition par-

government. "The OECD

entry will make it more

likely, rather than less

likely, that financial liberal-

isation will be accelerated,

even in the teeth of a reces-

ties argued that Korea was ill prepared to join the OECD. They claimed the opening of the financial market would destabilise the economy and weaken international competitiveness as huge capital inflows would strengthen the currency to the detriment of export industries and push up infla-Korea's current economic

problems, with a slowdown in growth and a widening trade deficit, have increased caution about proceeding with reforms in the near future, particularly when a scheduled for late next year. Although President Kim Some observers predict Young-sam has displayed a

Death-by-overwork lawsuits on the rise in Japan overwork in February 1983 while Before compensation can be! One disturbing trend, again fully liable for his death and

A court ruling on death by In the 17 days prior to his arrival office must acknowledge that the ment, is that the victims are get. Y126m in compensation to the overwork, or karoshi, has high- in South Korea, Mr Abo was sent- death was work-related.

day upheld a lower court ruling by the government's labour stanthat a 63-year-old businessman had died from overwork more than 13 years ago, and ordered a local labour standards inspection office to compensate his widow with pen- come before the courts. Many sion payments.

Yoshikazu Abo, a salesman for an who, in most cases, are claiming Nagoya, central Japan, died from sum compensation payments. over how to handle such claims.

The Nagoya High Court yester- rejected the argument put forward dards inspection office that the

death was not caused by overwork. The ruling is the latest in a trickle of karoshi cases to have more lawsuits are being prepared The high court ruled that Mr by the families of deceased victims electric equipment company in lifetime pensions or large lump-

"work-related problems" as key factors in the increase in suicides among 50-59 year-olds during

Suicides specifically related to work are also rising, although only two such deaths have so far gained official recognition. But they have already caused confusion in the insurance industry

on a business trip to South Korea. awarded, the labour inspection highlighted by a recent court judg- ordered the company to pay ting younger. The father of the bereaved family. lighted a growing problem among by his company on 20 sales missions throughout Japan. The court trend for corporate Japan, the 24-year-old man, was awarded psychiatric medicine, said the The Nagoya High Court yester rejected the argument put forward National Police Agency has named Y126m (\$1.1m) from his son's most difficult part of winning a Y126m (\$1.1m) from his son's most difficult part of winning a

His father later said: "If the ruling makes even a tiny contribution to transforming Japan into a happier and healthier country, then it cause of a suicide in cases where will have been worth the strug- someone has been subjected to

In another recent ruling, a Japanese court held the former employer of a man who committed suicide over work-related worries

kuroshi case was proving a sustained - and fatal - level of workrelated stress or fatigue. "Depression can be established as the great stress over a very brief period, but it is difficult to make the same judgment when the stress has been on-going over a long period," he said.

CONTRACTS & TENDERS

Bosnia and Herzegovina The Republic of Croatia

INVITATION FOR BIDS

Reconstruction of Bridge over Sava River between Orasje and Zupanja

- The Government of Bosnia and Herzegovina and the Government of the Republic of Croatia signed, on 14 march 1996, a Memorandum on Bilateral Cooperation in the reconstruction of communication links between the Republic of Croatia and Bosnia and Herzegovina and agreed that each party shall bear 50% of costs of reconstruction of the bridge over Sava river, between Orasje and Zupanja (hereinafter called the Project). The Government of Bosnía and Herzegovina and the Government of Croatia established a Bilateral Joint Body for project implementation, which was given the authority to act as the Employer.
- The Government of Bosnia and Herzegovina has received a credit from International Development Association (IDA) towards the costs of Emergency Transport Reconstruction Project, and intends to apply part of the funds to cover 50% of eligible payments under the Contract for the Project (Trust Fund Credit Agreement TF 024033: 1(b), part B(ii)). The Government of Croatia has applied for a credit from International Bank for Reconstruction and Development to cover the cost of eligible payments for Project implementation.
- Bosnia and Herzegovina (through Project Implementation Direction) and the Republic of Croatia (through Hrvatske ceste), represented by the Employer, invite sealed bids from eligible bidders for reconstruction of the bridge and other works required for opening of bridge.
- Bidding Documents (and additional copies) may be purchased, starting with 29 November 1996, at the following address:

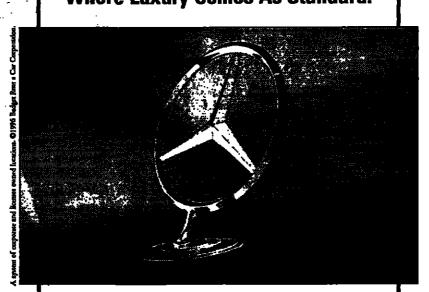
Attn: Mr. Zvonimir Nagy Voncinina 3 1000 Zagreb Croatia. Tel: +386 1 414 418 Fax: +386 1 445 904

Bidding Documents may be purchased for a non-refundable fee of 1.000 Kuna for each set, to be remitted to the account number 30102-801-82731 or its equivalent, 2000 US\$, to be remitted in favour of Hrvatske ceste to the account no. 70000-840-018200-288 established at Privredna banka Zagreb. Interested bidders may obtain further information at the same address.

5. Bids shall be valid for a period of 120 days after bid opening and must be accompanied by bid security of US\$ 240.000 or its equivalent in freely convertible currency, and shall be delivered to Hrvatske ceste, Voncinina 3, Zagreb, on or before 21 January 1997, at which time they will be opened in the presence of the bidders who wish to attend.

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CONTRACTS & TENDERS

PANAMA

PUBLIC BID FOR THE CONCESSION OF THE ATLAPA CONVENTION CENTER

participation in the Public Bid for the granting of the Concession of the Atlanta rendon Center and an area of 5 hectares + 7,136.19 m² located in the egimiesto of San Francisco. Province of Panama, Republic of Panama cration of the Tourist Project object of

in participating in the Act of Pre-qualification to present information that would support their technical, administrative and financial capabilities for the administration and commercial operation of the Atlant Convention Center and an area of 5 hectares + 7.136.19m2 located in the Corregimiento of San Eraccisco, Province of Panama, Republic of Pana bused on Law 16 of July 14, 1992, Law 56 of December 27, 1995, Executi Decree N°18 of January 25, 1996, and other additional and com

Only those firms and/or consortia that have been pre-qualified can presen proposals for this act of Public Bidding. must cover the following basic components:

. All the documents, conditions and legal, technical and financial rements as contained in the Pre-qualification Document.

The interested firms and/or consortia may pick up the Pro-qu regions institute of Tourism, 1st floor, ATLAPA Convention Center Corregimiento of Sun Francisco, Panama City, Telephone: (507) 226-4614.
Fax: (507) 226-3483 or request is by mail addressed to Mr. Pedro Campagnani, General Manager, P.O. Box 4421, Panama 5, Panama.

The Pro-qualification instructions may be acquired by interested parties, after effecting a one thousand Balbous (B/.1,000.00) payment in cash or in Certified Check to the *Tesoro Nacional*. This payment is non reimbussable. and it constitutes a sole payment to cover the cost of applying for the Pre-

The Pre-qualification application and all the legal, financial and tech ion required must be consigned at the Public Act of presentation o applications that will take place on January 8 at 2:00 p.m. at the Chococ Room of the ATLAPA Convention Center.

The Panamanian Institute of Tourism will not assume any cost which interested parties may have incurred in the presentation of the inform reserves the right to void, cancel postpone or declare furficined the Act of Pre-

Issued in Panama City on October 31, 1996.

Cargo giant seeks free skies benefits

Aerospace Correspondent

Liberalisation of the UK's air freely from the UK to other freight regimes would countries. The campaign has reduce the cost of exporting from Britain and generate industrialists, who say flight Express says the UK has more than £3bn (\$5.1bn) a restrictions hamper their restricted US carriers' cargo year in additional sales to Asia. Federal Express, the to make the UK less attrac- businesses of local compa-US cargo company, will tell tive to investors. the British government this

world's biggest freight com-countries - Lebanon, Jor-most of its freight is carried pany, has been campaigning dan, Syria. Iran, Iraq, Tur-in the holds of passenger airpany, has been campaigning for the right to fly goods key, Germany, Belgium and been supported by Scottish

the Netherlands.

In a report to be presented to the government, Federal export efforts and threaten flights to protect the freight nies such as British Air- and Far East markets where At present, US freight car- ways. Federal Express riers can transport goods argues that BA's cargo busi- is strongest but tourism has

ish Airways flies more than from the UK. craft. The US all-freight carriers, such as Federal four times a week from London to Manila." Express and United Parcel It says many UK exporters Service, could offer UK

have to ship freight to Lonexporters dedicated cargo services, the report argues. It says: "This is especially true for routes into Middle costs and increasing the time taken for goods to reach customers. Goods manufacturing trade growth lands, which allows free regional sirports. Federal Express, the from the UK to only nine ness is relatively small and not developed on an equal

Philippine Airlines nor Brit- a day earlier than those sent The liberalisation of cargo

flights has been held up by the UK's resistance to US demands for greater access don by road for onward to London's Heathrow airtransport by air, adding to port under an "open skies" agreement. Federal Express says this should not prevent the liberalisation of cargo shipped from the Nether- services, which operate from

Macalian Glenilvet

Scientists expect early end to BSE

The epidemic of BSE or "mad cow" disease in British cattle could be over by the middle of 1998 if the cull of animals over 30 months old is adjusted to target those at greatest risk of infection, scientists said yesterday.

Professor Roy Anderson and colleagues from Oxford University's Centre for the Epidemiology of Infectious diseases told a meeting at the Wellcome Trust in London that their latest research showed the UK's existing "over 30 month scheme" had gone further than expected in removing infected cattle from the food chain.

Only 150 cattle under 30 months old were still infected with BSE, Prof Anderson estimated. About 1m animals were infected during the epidemic.

He added that the existing scheme had probably already met the conditions set by June's European Union summit for a selective slaughter of animals most likely to develop BSE, "The only reason we cannot be certain is that we do not have data for the ages of the animals colled," he said. Prof Anderson, the leading UK expert on the spread of

caused by eating infected beef. So far, there have been 14 confirmed cases of "new variant" CJD linked to BSE. The Wellcome Trust meeting brought together Euro

Although there is no evidence that scrapie-infected

infections, said it was still too early to predict the course of any human epidemic of Creutzfeldt-Jakob disease

pean specialists in spongy brain diseases. They agreed that a high priority was to survey the extent of scrapic, the equivalent of BSE in sheep, in flocks throughout Europe in preparation for a long-term plan to eradicate

meat has infected people, it remains a theoretical possibil-ity – particularly if a more virulent strain of the disease, originating in cattle, has crossed into sheep.

blended whisky, but on oneninth of the volume. trish president is accused

President Mary Robinson of the Republic of Ireland was accused yesterday of promoting a republican agenda dur-ing her regular visits to Northern Ireland by Mr David Trimble, leader of the Ulster Unionist party. He said she should stay away unless she was prepared to adhere to the "proper protocol".

Mr Trimble said on a BBC television programme that Mrs Robinson visited in her official capacity as president without the proper protocol of being met by a representative of Queen Elizabeth.

She was welcome to visit in a private capacity or on a proper official visit, he said. To visit in an ambiguous manner, however, where it could be interpreted that the republic's constitutional claim to Northern Ireland was being "thrust down people's throat", was not welcome, he

Mrs Robinson has visited Northern Ireland 16 times since becoming president of the republic six years

She said on the programme that she had no political agenda in visiting Northern Ireland. "I would like to be genuinely believed for what is the core of my interests.

Adams seeks police damages

Mr Gerry Adams, president of Sinn Fein, is claiming £10,000 (\$16,900) damages in a court action against the Royal Ulster Constabulary, the Northern Ireland police.
The claim arises from a police "curfew" in Belfast last
July when he alleges he was held at a police roadblock for
four hours. Mr Adams is claiming damages for false imprisonment, trespass to his person and "misfessance" by RUC officers.

Credit card spending up 28%

Consumers spent 27.5m in the UK last month using their credit and debit cards, an increase of 28 per cent compared with the same month a year ago, according to the Credit Card Research Group, which is funded by credit and debit card issuers.

Most was spent on food and drink, which accounted for 21.9m in October, 19 per cent more than in the same

month last year. There were big increases in spending on clothing, which rose 34 per cent in the year to October, and on household goods which rose 29 per cent. Entertainment accounted for about £423m of credit and debit card spending, 81 per cent more than in October last year.

The sharp increases match the buoyant picture of the economy, with growth led by consumer spending. Rising house prices, lower unemployment, higher personal incomes and lower interest rates mean the consumer is now more prepared to spend on services and high street

Judge tells ministry to pay

Blue Circle, Britain's biggest cement manufacturer, was yesterday awarded 28m (\$10.1m) damages from the Ministry of Defence after land owned by the company next to the Atomic Weapons Establishment at Aldermaston in southern England was contaminated by radioactive materials. Costs were also awarded against the ministry. The final bill is expected to be about £7m.

A High Court judge in London ruled that the intended sale of the Blue Circle site for £10m to Sun Micro systems, the US computer manufacturer, fell through as a direct result of the discovery of the pollution. High levels of plutonium and uranium were found on the site owned by Blue Circle, after ponds on AWE land nearby burst their banks during a rainstorm in July 1989.

The AWE, part of the Ministry of Defence, is responsi-ble for manufacturing nuclear warheads for Trident sub-marines. Its site is next to Blue Circle's land.

The extent of the contamination was not revealed to the cement company until 1993 when it was in the process of agreeing a sale. Blue Circle told the court. John Mason and Andrew Taulo

Investment 'set to fall in N Ireland'

By John Murray Brown in Dublin

Investment by Northern Ireland companies is expected to fall over the next 12 months, with manufacturers expecting higher interest rates, says the latest quarterly survey of business prospects in the region by

PA consultants. It found that although spending would be higher in the clothing and footwear sectors, manufacturing investment overall is projected to fall by 4

The meat industry, in par-ticular, is badly hit by the BSE or "mad cow" crisis, with investment levels projected to drop by more than a third over the next 12

Mechanical engineering one area in which Northern Ireland has traditionally been strong, recorded the strongest output of any sector, with turnover up 22 per cent on the same period last

The survey of 100 compa-nies, representing half of the

region's 520,000 workforce, is

the most comprehensive analysis of business confi-

The number of jobless in the region is 10.7 per cent of the workforce, the lowest

dence there.

level for 15 years.

- February

Short Brothers, the aerospace company, is also reporting strong output, in spite of the collapse of its supply business with Fokker, the Dutch aerospace company which was put into

Whisky distiller rejects change

Tradition will survive the takeover of one of the last independents

ife has moved with blinding speed recently for Macallan Glenlivet, considered one of the best single malt Scotch Within weeks it lost its

independence to Highland Distilleries in a £180m (\$304.2m) takeover and nearly 30 per cent of its staff in a subsequent reorganisation. Yet hardly anything for its high quality spirit, its

Macallan still uses rare barley and the second- The financial strain of of overmanning and double smallest stills in the world to such ambitions was the manning" at Macallan. produce a distinctive spirit

"We don't know the full launched two rights issues and marketing arm, extra cost but we don't care in the mid and late 1980s. Matthew Gloag, is based. because Macallan sells at a premium of at least 10 per cent," said Mr Brian Ivory, chief executive of Highland. "We will make absolutely no change in the process."

Highland, best known for its Famous Grouse whisky which uses Macallan malt in its blend, wants the distiller large stocks and its strong

The financial strain of

Highland has been critic- Highland has added more ised for what has been seen as an opportunistic bid. It replies that Macallan sowed the seeds of its own demise through a financial strategy that had ceded control but UK and Remy sells it in the

resources needed to develop the brand around the world. Tensions rose when Highland took control and found what it termed "an amount

Macallan's sales and mar- growth Macallan's slowly

Matthew Gloag, is based.

people and linked them into

Gloag's global resources.

Some links were already well established - Highland distributes Macallan in the had starved the company of US where its print advertising is highly idiosyncratic and successful. takeover,

Before the Macallan's total sales were growing at about 10 per cent a year. Mr Ivory declined to say how much room for Macallan. To finance a keting people were moved to maturing stocks allow. build-up of its stocks, it Perth where Highland's sales Even with a triplin Even with a tripling to

Macallan's stocks over the past decade, the company may need to cut back on its sales of spirits to other producers to meet demand for its malts. One indication of

Highland Distilleries

Pre-tax profits* (Em)

that Macallan's malts gener-

ate, one analyst estimates, export profits similar to Highland's Famous Grouse

Roderick Oram

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"This is a pro-single cur-

Chancellor keeps his eye on Europe

By Robert Peston, Political Editor

The chancellor yesterday of income tax. easier for the UK to participate preferred to announce a Eurosceptics. "By happy pate in a European single penny reduction, as expection, as expecting the said, "we

colleagues looking for big cutting public borrowing and the abolition of tax loopreductions in the basic rate was a vote winner as well.

in the governing Conserva- he had the resources "to tive party by announcing a take 20 off" the basic rate budget which will make it had he wanted to. But he chose to cock a smook at the currency and which was ted, together with a package comparatively restrained in of measures on thresholds its attacks on public spend- and tax bands aimed at 1997", so that the UK would

ng. those on lower pay.

-In a speech-which seemed — He claimed his "overriding designed as much to infuriate the Tory party's right wing as the opposition aim" was 'the lasting health of the British economy". In the immediate aftermath, his

defied the prevailing views. He teasingly disclosed that of discontent brewing away more in tax cuts. beneath the surface, particuchose to cock a snook at the will meet the Maastricht backbench spokesman for shied away from the really ing new right thinking he debt and deficit criteria in much of the Tory right. be in a position to join a

If Mr Clarke was perhaps single currency in 1999. sonal priorities, he was dis-Tory Europhobes fear it is ingenuous in his description no coincidence that the pro- of the scale of spending set- as he made great play originally proposed by the European Mr Clarks should tlement, which had been "as of the increased resources Labour party's shadow chan-Labour party. Mr Kenneth colleagues loyally declared have chosen to allocate tight as any" he could that were being made avail- cellor, Mr Gordon Brown.

Clarke snubbed those of his that they felt his focus on savings from spending cuts remember, "eye-wateringly able for hospitals, schools holes to reducing-public bar-

Treasury officials, norrency Budget driven by Ken Clarke's obsessions," said a colleague of Mr John Red is supposed to be a Tory" social security budget. wood, a former minister and and that the cabinet had

too frank showing his per- personal agenda - as a tive - a probe of "big sophistraditional "one nation"

and the police

Perhaps the starkest exam-However, there were signs rowing, rather than giving mally loyal to a man they ple of increasing distance respect, were scornful of from fashionable governwhat they described as his ment thinking was his dis-"hyperbole". One said that missal of suggestions for "Mr Clarke had forgotten he draconian reform of the

While effectively ridicul-Once again, Mr Clarke's rowing a tax-raising initiaticated companies" which Tory - was displayed here, "seem to pay so little tax" -

Air passenger tax to double

Airport departure tax is to double from November 1 1997 The travel industry was united yesterday in condemning the government for the rise from £5 to £10 (\$16.90) for those travelling within Europe and to £20 from £10 for

departures to the rest of the world.

American Airlines said: "We think it's a great shame that the government is raising money in this way without putting it back into the aviation industry." British Airways said: "This tax, which discriminates against air travel, is highly unpopular and penalises one of our most successful industries. It has already had a damaging effect on our industry."

BA said the increase meant the UK would have the highest airport departure tax in Europe. The departure tax in Norway is equuivalent to £13, in Belgium it is £10 and in Austria £8. The European average is £8. The UK Federation of Tour Operators, which represents the largest tour operators, blames a fall in the number of British ackage holidaymakers visiting other countries from 14m last year to 13m this year on the introduction of the tax in November 1994. It estimates a further fall of another 1m

However, Mr Kenneth Clarke, the chancellor, said that business travel was soaring and holiday travel booming. He said the increase would not affect the travel industry's growth. Mr Clarke said that 40 per cent of the revenue

from the tax was paid by passengers from outside Britain.
The British Tourist Authority, which promotes Britain as a destination, warned that the duty would erode the country's competitiveness. "The departure tax simply puts up the cost of a visit to this country," it said. The airline departure tax had not been raised since it was first

announced in the November 1993 budget. Scheherazade Daneshkhu and Michael Skapinker

Reprieve for World Service

The BBC World Service and the British Council, both subjected to controversial cuts in last year's Budget, won a partial reprieve yesterday which should avoid any need to close council offices or reduce foreign language broadcasting. For next year, the World Service has clawed back £5m (\$8.45m) of the £12m that it lost under the previous budget. This should ensure the maintenance of all 45 language services and some extra money for investment in digital broadcasting.

Some £15m will be restored to the council's budget over the next three years, enough to keep all of its missions open as long as efforts to streamline its UK operation are

Overseas aid will drop to £2.05bn in 1997-98 from £2.2bn in the current year, but officials stressed that bilateral assistance would remain constant over the next three

For the Foreign and Commonwealth offices as a whole, a harsh economy drive announced last year has been mitigated, ensuring that no embassies will be closed on cost grounds before 2000. Some £30m has been added to the FCO budget for 1999-2000, to give a real-terms cut by the end of the decade of 9.6 per cent, instead of 12 per cent as previously expected.

Income tax cut by penny

Mr Kenneth Clarke delivered a 1 penny cut in the basic rate of income tax yesterday, reducing it to 23 pence, while the lower 20p tax band was widened by £200. Mr Clarke also raised personal tax allowances, increased the number of people paying the lower 20 per cent rate of tax and cut the number paying the top rate of 40 per cent.

Without these changes, he said, he could have taken 2p off the basic rate. He claimed his "virtuous" Budget would make a family on average earnings £370 better off next year on top of inflation. He told MPs: "I'm not going to play Santa Claus, but this year I don't have to play Scrooge either.

the Tories back into power. His economic policy was aimed at "the next five years, not just the next five months".

Mr Tony Blair, the opposition Labour party leader, said the Tories would still go into the election with taxes higher than they were in 1692, when they promised to cut

. Mr Clarke announced that profit-related pay (PRP) introduced almost a decade ago, is to be phased out from the end of 1996. PRP allows the 3.6m staff employed by participating companies to receive the top 20 per cent of their pay, to a maximum of £4,000, tax-free. For a top-rate 40 per cent taxpayer, the tax advantage can be worth up to £1,600 while the gain to a basic rate taxpayer is £960. Mr Clarke said he could no longer justify the increasing cost of PRP to the 23m taxpayers not covered by the

Distillers cheer; brewers jeer

Cheers from distillers but jeers from brewers greeted the chancellor's actions yesterday on alcoholic duties. Spirits producers said the 4 per cent cut in duty, knocking 26 pence off a 70cl bottle, added credibility to government and industry efforts to diminish the disparity between high UK rates and lower, or discriminatory rates, in other countries. "We are delighted that the chancellor has contimued to set an example to other countries that discriminate against Scotch whisky," said Mr Hugh Morison, director-general of the Scotch Whisky Association.

But the freeze on duty on beer and wine was widely criticised. Producers had sought a reduction to stimulate UK sales and to counter rising imports of low-duty beer and wine from France. A pint of 5 per cent alcohol beer attracts 30.7p of duty in the UK and the equivalent of 4.4p in France. "Freezes are no answer to the problem." the Brewers and Licensed Retailers Association said, "There s no alternative to a phased reduction in UK beer duty to

approximate to that in France." Industry was also cynical about hiring more customs officers. "Appointing a few new customs officers will do nothing to stop the flow of illegal imports," said Mr Peter Jarvis, chief executive of Whitbread, the brewer and pub operator. The 15p increase in duty on 20 cigarettes, taking a typical packet to about £2.40, was expected.

Roderick Oram, Consumer Industries Editor

Science funding unscathed

Science spending will remain steady again next year. The "science budget", distributed by the Department of Trade and Industry through the six research councils, will increase in cash terms by £18m to £1.33bn in 1996-97. In real terms that will result in a small cut.

Sir John Cadogan, director-general of research councils, said: "It is clear that the government's commitment to basic research and to the science and engineering base remains as strong as ever.

Clive Cookson, Science Editor

Scant scope for bets

One City gambler bet a record £1,000 per minute on the length of Mr Kenneth Clarke's Budget speech, but in the end no money changed hands. At 75 minutes, the speech was precisely at the top of the spread quoted by City Index, the bookmaker.

If the chancellor had taken more than 75 minutes to outline his forecasts and measures, the same man a regular City Index client, would have collected £1,000 for each minute. He was liable for the same amount for each

City Index said it had seen a 10-fold increase in betting from 1995, with bets of £100, £200 or £500 per minute.

'Judicious' and 'prudent' say business leaders

lower.

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A Company of the Comp

Top business leaders last rather topid response to the night gave the chancellor Budget, which was broadly high marks for a "prudent" in line with expectations, and "sound" Budget - but our Markets Editor writes. said that Mr Kenneth Clarke Traders' attention was dishad provided few specific tracted by Wall Street where measures to aid commerce shares suddenly headed and industry.

Mr Tony Hales, chief executive of the Allied Domeco retailing and alcoholic drinks company, said it was a "judicious" Budget for

"The measures on reducing alcohol duty should help the drinks industry, and I 4,073.1. Earlier, the index, welcome the efforts to crack down on cross-Channel smuggling of alcoholic drink," he explained. The Budget "got the balance day peak of 4,094.4. right by giving a bit away in

brewing and leisure company, introduced a note of about the chancellor's poli- speaking. cies on drinks duty is that they are inconsistent," he said. "Appointing a few new Customs officers will do

illegal imports." Mr Christopher Haskins, chairman of Northern Foods, D-Mark to DM2.557. said: "This has been a sound Budget for business, as no doubt the financial markets would have insisted. The meet the Maastricht criteria will enable a new government, if it chooses, to join a single currency from the outset. I find this very encouraging. If the forecasts are to be believed, public finances remain under control despite

strong consumer demand." Sir Stanley Kalms, chairman of electrical retailer Dixons, said the Budget was the most predictable he had ever heard. "But it was very sensible and professional, he added. "Consumers are overall in a robust mood and do not need much stimula-

Sir Ronald Hampel, chairman of Imperial Chemical Industries, said: "I welcome the overall cautionary stance of the Budget. It is not a Budget for change, but one for economic growth, world of sluggish growth in strength of domestic conthe industrialised countries. The cuts in public expenditure and small increase in itax) revenues should enable the economy to continue to expand without giving rise

to undue risks of inflation." Sir David Simon, chairman of British Petroleum, said the Budget was generally responsible and would help maintain the UK's competiUK financial markets gave a

The FTSE 100 index. which was more than 30 points ahead when the chancellor of the exchequer started speaking, dropped back to end only 13.8 higher which has been rallying in recent sessions in anticipation of a prudent package, notched up an all-time intra-

A significant reason for tax cuts but also cutting the decline was the perfor-back on public spending". mance of the Dow Jones Mr. Peter Jarvis, chief exec-utive of Whitbread, the was about 40 points higher in early trading, but was down nearly 40 by the time caution. "The best I can say the chancellor finished

Sterling continued its recent rally, rising to 93.2 on a trade-weighted basis, from 92.8 at Monday's close. nothing to stop the flow of . The pound was flat against the dollar but gained about 1% pfennigs against the

> Mr Danny Rosenkranz. chief executive of the BOC gases and vacuum technol-Clarke's prudence and welcomed the measures aimed at helping small businesses. "We are pleased the chancellor has been restrained in the measures he has taken but despite talk of fiscal prudence, there is still reliance on monetary policy, which could lead to higher interest rates and a firmer pound an issue for UK industry,

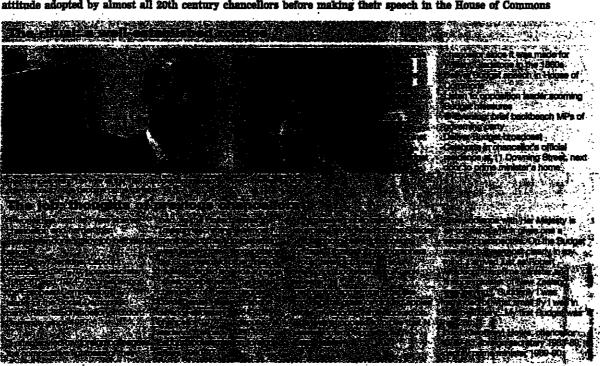
Mr Barrie Stephens, chairman of the Slebe engineering group, gave Mr Clarke "eight out of 10" for being a "good housekeeper" of the UK economy, and said he was relieved the Budget was not transparently vote catching.

Sir Clive Thompson, chief executive at Rentokil Initial. the business services company, said: "We have to be careful that the economy is which is essential in today's not overheated by the bility of a security breach at sumer demand which would put further pressure on interest rates. I therefore welcome a moderately tight

> Mr Duncan Davidson, chairman of the house building group Persimmon, said the Budget contained a "sensible" set of measures Office - was emer which he thought "would strong possibility. appeal" to most people in Britain



Upholding tradition: Kenneth Clarke, accompanied by his wife Gillian, poses for photographers in Downing Street in the attitude adopted by almost all 20th century chancellors before making their speech in the House of Commons



Stationery Office may have been the source of security breach

Documents leaked to newspaper

By Our Political Staff

The top-level inquiry into the leak of Mr Kenneth Clarke's Budget was last night focusing on the possithe newly-privatised Statio-

As the Treasury and the Cabinet Office began investigating the most serious leak from the UK government machine for decades, officials said a leak from the company - formerly known as Her Majesty's Stationery Office - was emerging as a commenting on the leak.

on Monday to the Daily Mir- tion to prevent the Mirror staff are positively vetted party.

ror, a newspaper which sup- from publishing. "It's the and most are still obliged to odds-on favourite it was sign the Official Secrets Act. ports the opposition Labour party. They were supposed to be kept secret inside the said a government official. government machine until after Mr Clarke's speech to

the House of Commons. Mr Piers Morgan, the Mirror editor, instructed his journalists to obtain confirmation that the 94 pages of

government documents were genuine, and the Mirror sent specimens to the prime minister's press secretary. "We were pretty horrified," said a senior government official,

leak. A spokesman for the company, which was sold off investigation" into the allegations and "co-operating with the Cabinet Office and the Treasury in its inquiry".

It was also pointed out that a breach of security from the Stationery Office The Treasury's lawyers would be extraordinary. force of 2,500. The sell-off

dene through the printers,"

dominant printer and dis-The Stationery Office tributor of parliamentary refused to respond to documents including the detailed questions on the daily Hansard report of parliamentary debates. However, the Stationery seven weeks ago, said it was Office, sold to the Electra "conducting an independent Fleming consortium for

The company remains the

£54m (\$90m), has been the source of much political controversy. There was anger among the workforce last Friday when the company announced it would be shed ding 950 jobs out of a work-The documents were sent then obtained a court injunc. Even after privatisation, its was resisted by the Labour

Towering over a parliament of puppets

It was not his best Budget but the chancellor is a politician with rare guts, says Philip Stephens

himself. He is at war (yet again) its construction than powerful in with his party's sceptice over a sin- its impact. The overall perforgle European currency. Details of mance of the economy, not in off his Budget are leaked the night the basic rate of income tax, will before, And his mood? As irrepress- count on polling day. The chancelible as ever. In a parliament of lor knows it. pygmies Mr Clarke is the punter's politician, a joy to behold. If optimism won elections, the Tories would be certainties at the general election next spring.

But the chancellor's enthusiasm such dire straits. Nor is a single Budget. The tax and spending personal taxes. tricks of Mr Clarke's trade have lost their magic. It may once have of the populists on the Tory backbeen possible to bribe the electorate with its own money. But the bly done as little as politics (and voters have been burned too often. the prime minister) would allow. After the broken promises of the 1992 election, they have wised up. So Mr Clarke's package changes not much at all as far as the next

This was not the bravest of his four Budgets. If he had stuck band, handing a little more to marfirmly to his belief that good economics and good politics are indi-visible, there would have been no tax cuts at all. The chancellor's is not enough for a government in fiscal arithmetic relies too much on smoke and mirrors to pay for lower

But the glummish countenance benches told us that he had proba-The prospects for public borrowing are nothing to boast about at this point in the economic cycle. But increases in indirect taxes.
with deliberate mischief, Mr Clarke -The Conservatives, thouse said Britain would still squeeze set out their stall. The pressure

debt ceilings set in the Maastricht He was skilful too in the distribu-

he chose to spread the money ried couples and lifting the thresholds for the poor. These were the rewards for hard-working Britain, he told us. From anyone else, that would have sounded condescending. Mr Clarke carried it off.

The Labour party's response was the obvious one. Whatever the Conservatives may promise now, look at the record of the past few years. The average family still pays more in income tax than it did before the last election. And that is before you count the hefty

play his wares. Mr Brown has already indicated that Labour will tion of his lollipops. He could have not vote against the 1p reduction reduced the basic rate by 2p. But in the basic rate. Nor will it oppose the changes in thresholds. But it around, widening the 20p rate has also promised a 10p or 15p starting rate. When? Labour's leaders must also agree whether to propose a top rate higher than the

present 40p. This unseemly, and fundamentally dishonest, tax auction will take place against the background of the least credible public spending settlement in living memory. Mr Clarke has ransacked every available Whitehall budget, Health, schools and the police have done better than most, but almost every other service faces a cut in real resources. Britain's cities, schools, hospitals, roads and the rest will

How Kenneth Clarke enjoys and-pieces Budget, more skilful in under the public borrowing and will now be on Gordon Brown, the do so would be to admit that taxes Labour shadow chancellor, to dis- must rise rather than fall, or that the state will eventually withdraw completely from some provision. Mr Clarke's most important gam-

ble, though, is on the economy. The government's last hope of a political miracle lies in the continuation of the present conjunction of robust economic growth and (relatively) subdued inflation. Here, the Treasury's forecasts are only half-believable. The consumer boom has started. Real incomes are rising and the housing market is on the up. Commonsense tells us that the chanceller will soon have to apply the interest rate brakes.

The odds are that this was Mr Clarke's last Budget. If that is so, it will not be remembered as his best. But twice in the House of Commons this week his demeanour has reminded us he is a politician with The Conservatives, though, have become shabbier still. But the poli- rare guts. The pity is that most in ticians will not own up to that to his party do not realise it.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Every bank manager knows the pattern. The man with the confident voice leans forward and says: "The economy is picking up, production is increasing, stocks are moving at last and there is every chance of keeping prices down. Honestly, my borrowings will go up by less

than last year." Mr Kenneth Clarke is no ordinary debtor. When he became chancellor in 1993 the public sector borrowing requirement was £45bn, larger in relation to national income than at any time since that caused by the spending spree of his Tory predecessor, Mr Anthony Barber,

two decades ago.
In his fourth budget yesterday, one of Mr Clarke's main objects was to reassure the country and the markets that he was at last bringing the public finances under control.

In a robust performance with more than half an eye on electoral prospects of his unruly back benchers, Mr Clarke was able to give some reassurance, although some of his assumptions may prove highly

It was courageous given the imminence of the election to

present figures which show a tightening of the fiscal stance. Taken together, his tight spending targets, the blocking up of tax loopholes and evasion. and some modest tax cuts will save £1.8bn next year and £3.2bn

in 1998-99. This tightening comes on top of a modest squeeze announced in last year's budget. In the tax cuts which he felt obliged to throw to his party faithful, Mr Clarke was

commendably restrained. Despite "giving away" almost £3bn by cutting the basic rate of income tax to 23p and raising allowances, he has been less "generous" in this respect than some Tory predecessors in election years. Geoffrey Howe in 1983 distributed the equivalent of £4bn in today's money - roughly the same as was offered by Nigel Lawson in 1987.

Given the political imperative of reducing the basic rate, the chancellor showed good sense in dividing the giveaway between a headline cut and the less glamorous widening of tax

bands. The changes at the lower end will be more effective in taking people out of tax. Clawing borrowing", he said. In 1988 it back tax by phasing out reliefs on profit related pay was a sensible offset.

However, the chancellor's prudence was no more than a necessary minimum. To loosen fiscal policy in the fifth year of recovery, which the Treasury believes is being accelerated by blg revival of consumer spending, would have been the

height of folly. It would have jeopardised the Tories' important goal of growth with low inflation - one which was thrown away the last time by imprudent expansion in the late 1980s. It would also be quite inconsistent with the Conservatives' oft repeated claim to be the party of reduced

borrowing and controlled debt. Perhaps Mr Clarke, in framing the last budget of this parliament, recalled the words of Geoffrey Howe in 1982. "The thing that has been most consistently put in place has

to reduce the real burden of was Nigel Lawson's turn to claim that the government intended to maintain a balanced

budget over the economic cycle.

Against this standard, Mr Clarke can hardly have been proud of the figures he presented to parliament yesterday. Despite a determined effort to improve public finances and a good deal of help from a robust economy, the PSBR next year is predicted to be £19bn, some £4bn more than he was expecting a year ago and £13bn more than he expected at the time of his 1994

Like that indebted businessman pleading for credit. the chancellor keeps putting off the year in which the government's finances will move out of the red. Two years ago he thought it could be done by 1998-99. Now he expects that a surplus will not be achieved before 2000-01.

General government expenditure, receipts

One of the unbappy

(Per cent of GDP)

(Per cent of GDP)

been the manifest determination consequences is that the national debt is set to rise much faster than Mr Clarke had hoped. The Treasury forecast, published with the budget statement,

shows that the government's gross debt next year is expected to reach \$433bn - 55 per cent of gross domestic product. This is not only 76 per cent more than the figure for 1992-98: it is £45bn more than the Treasury expected only two years ago. This growth urgently needed

to be controlled. On the figures given, it will begin to decline in absolute terms at the turn of the millennium. More important, it will start to be reduced as a proportion of national income from next year. This, as well as a declining deficit, is important if the UK wishes to keep open its option to join the European monetary union in 1999 or

thereafter. Two questions remain. Are Mr Clarke's figures credible? And if they are, has he done enough? To achieve a combination of headline tax cuts with increased

Public finances: inflation risk to the planned improvement

Debtors can't be choosers Total of £1.7bn next year will be very difficult to deliver. The Private Finance Initiative may well not plug the hole in public sector investment as he spending on health, education and law and order, the chancellor has been helped by a remarkable conjunction of

economic good news. The

Treasury remains optimistic

about growth. It now expects

GDP to increase by 3% per cent

next year - rather faster than it

forecast in the summer. One of

expected to continue to grow at

recent strengthening of sterling.

A robust economy, underpinned by high corporate

government's tax take which

however, the chancellor is

relying on an extremely tight

liquidity and a sharp increase in

is the buoyancy of consumer

confidence. But exports are

around 6 per cent despite the

and to remain roughly in

halance with imports.

repair the hole in the

spending and consumer

On the revenue side his hope of clawing back 20.5bn from tax evasion and avoidance next year and more than twice as much in 1998-99 may prove similarly optimistic. The battle against evasion is always uphill, and even with extra resources the authorities may find it hard to the main engines for this growth break into a canter.

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the net squeeze on the Control

The prospects of continued growth and falling unemployment raise one over arching question; whether they will result in a repeat of the inflationary surge of the late 1980s. The Bank of England is known to be worried. In a non-election year, the chancellor might have attacked the government deficit with business investment, will help to considerably more

But Mr Clarke, as he told the eemed to appear early this year. House of Commons, is a practical Apart from economic growth, man, only moderately virtuous. He deserves, therefore, the moderate plaudit that he might public spending total. Although there are no outrageous fiddles. easily have done worse.

(Annual % change in RPI)

A display of sturdy commonsense

The first test of any Budget is whether it does any harm. The answer in the case of the one presented by a notably merry Mr Kenneth Clarke yesterday seems to be no.

It did little harm largely because it did remarkably little. This makes it about as responsible a Budget as could be expected from the controversial chancellor of an unpopular government facing an imminent election. But one would have felt more comfortable with stronger public finances and a lower probability of unsustainably rapid growth

The public sector borrowing requirement this financial year is expected to come out at £26%bn. product. This is almost exactly what the Treasury foretold in its summer forecast. But it is £4bn (1/2 per cent of GDP) higher than end 1996-97 at 451/2 per cent of the chancellor predicted a year ago. The ratio of net public debt to GDP has risen roughly twothirds since its trough at the beginning of the decade.

finances looks quite reasonable be true for the criteria on defi-



MARTIN WOLF

What has been done is not perfect - it never is - but much has been achieved on the public finances

by European standards. The ratio of net public debt is expected to GDP and of gross debt at 55% per cent. This puts the UK well within the Maastricht treaty criteria on debt. The same, as the ever mischievous chancellor All the same, the public delighted in pointing out, should

cits, with the PSBR for 1997-98 forecast at only 21/2 per cent of GDP, and the Maastricht treaty's general government financial deficit at the same level.

The ratio of public spending to GDP is well below the European average, unemployment is down almost 1m from its cyclical peak. the economy is forecast to grow 31/2 per cent next year and underlying retail price inflation is expected to decline to 21/2 per cent by its end. It all sounds wonderful. It also sounds too good to be true. It could turn out to be precisely that.

The comparison with Europe is comforting only up to a point.

What Mr Clarke needs to explain entrenched; broad money (and, Public finances would certainly the National Health Service reformer has been nul. Yesterare expected to be little better next year, after five years of Unfortunately, the worry is not

just about relative fiscal positions. There are two deeper con-

• The economy is now vulnera- this will not become yet another ble to an unsustainable consumer-led recovery.

 With an essentially neutral Budget, the burden of controlling excessive growth in demand will fall on interest rates, the exchange rate, and producers of tradable goods and services.

The Treasury forecasts connext year, along with a 6% per cent rise in fixed investment and a 5% per cent increase in exports. Of these, the most important is the first. It is eminently plausible. Recovery seems well

is why the UK's fiscal deficits are for that matter, narrow money) be so. The PSBR is forecast, on would receive only 5.4 per cent day's fiddling was a representaare growing above their monitormany and France this year and ing ranges; the private-sector 11/2 per cent of GDP the year after financial balance is strong; and house prices are both affordable and rising. Everything, in fact, is combining to encourage the British consumer to do what he or she does so well - spend.

> The Treasury has to pray that orgy of consumption. It need not do so. But it could. If so, the consequent need to control demand could make the fiscal position, and the economy, look far less appetising than now.

This is the principal risk, one that would have been reduced by a still-tighter Budget, If the Treasumer demand up 4% per cent sury is right about the growth prospects, however, with the economy expanding 3% per cent next year and then decelerating smoothly to 3 per cent in 1998-99 and 21/2 per cent, thereafter, everything ought to be just fine.

these assumptions, to decline to more over the five years in real next and disappear two years afterwards. It is easy to be cynical about this. But the forecast is the economy will overheat and not impossible, provided the need to be cooled, but that the economy does perform - and public spending remains under

Here the Budget is intriguing. because concealed in the rhetoric about cuts are increases in noncyclical spending, not just yearon-year, but vis a vis earlier plans, with the plans for next year slightly up on those of last year. Yet this is small change. The bottom line is still very tight

control on spending. If the government (or its successor) were to meet its targets. real non-cyclical spending would rise only 1.6 per cent over the five years 1994-95 to 1999-2000 virtually all of it, admittedly, over the next three years. Even

terms. The risk to the forecast of a steadily improving fiscal position is, therefore, not just that planned control over spending will not be sustained over so long

a period. If both worries turn out to be misplaced, the fiscal position would look as good as Mr Clarke says it is, with the ratio of spending to GDP securely below 40 per cent by the year after next. This would certainly represent a marked improvement from the situation Mr Clarke inherited four Budgets ago. The same would also be true for revenue, whose share in GDP would have increased by 3 percentage points between 1993-94 and 2000-01.

How then might Mr Clarke's tenure as chancellor be assessed? His contribution as a tax

lone parents on benefit while spending on the sick and disabled

has become the fastest growing

area of the welfare budget

by client group: the result almost

certainly of the job market being

tighter rather than the country

That increase has come despite

a string of measures which have

restrained the growth in social

security spending to the point

where, on Mr Clarke's figures

1.5 per cent in real terms, below

the rate of the economy as a

whole, against 5 per cent real

increase on average since the sec-

Yesterday's sharp cut in lone parents' benefits - saving £200m

over two years - is just the latest

among a string of measures

which have included linking ben-

efits to prices, rather than to fas-

ter rising earnings. On govern-

becoming less healthy.

ond world war.

what he did - notably the increase in personal allowances has been admirable.

His big test, however, was to sustain the recovery and bring order into the public finances with a mixture of control over public spending and higher taxes. What he has done has not been perfect. It never is. He leaves a deficit that is still too large and a policy that is still too heavily reliant on higher interest rates. But the public finances are vastly haslthier than when he came into office. This year be has resisted the calls for massive short-term tax and spending cuts from his backbenches.

With his sturdy commonsense and moral courage, Mr Clarke has achieved much. But whether the ebullient optimism he displayed yesterday will turn out to

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different sort of welfare state

one more small step down a road which has radically transformed the shape of public spending since 1979, the year this Conser vative government took office. For contrary to almost all public perception, since 1979 government spending has increas focused on the welfare state, not pulled away from it.

Next year, on the plans Kenneth Clarke announced yesterday, the "big three" programmes which make up the core of the welfare state - health (including social services), education and at 10.6 per cent of government social security - will take almost 61 per cent of all government spending. Back in 1979, the same big three accounted for less than 49 per cent of the total.

The transformation is not quite as dramatic as those figures government expenditure. make it sound. There have been important changes within programmes which account for some of the increase. Housing, for example, accounted for 6.3 per cent of all government expenditure when Labour left office. Last year it accounted for barely a quarter of that (projections for next year will have to await more detailed figures than yesterday's budget provided).

But some of that dramatic cut the product of the virtual end of the building of council houses - has in fact been switched across to the social security bud-

Testerday's budget, with its get: the government has ceased extra spending for hospitous but has instead subsidised much higher rents - producing a ballooning housing benefit

> What has happened since 1979 is that the state has successfully reduced spending in some nonwelfare areas. Back then, nearly 4.3 per cent of the budget went on trade, industry and employment programmes - much of it on subsidising long-since privatised nationalised industries. That share of the budget is now down well below 2 per cent.

Defence spending, which stood expenditure in 1979, and rose further to 11.4 per cent in the mid-1980s, has been cut back: arguably not enough given the end of the cold war, but still down to less than 7 per cent of general

Spending on employment and training - arguably a welfare state policy - has shrunk, as has the percentage going on overseas aid, though neither formed more than 1.5 per cent of spending back in 1979. Transport spending factors. An ageing population has taken a larger knock: down from 4.2 per cent in 1979 to below 3 per cent now.

The main exception to this contraction in what might be termed "other" non-welfare areas of goveroment spending is police and prisons. Back in 1979 law and order took 3.5 per cent of the spending total. Next year it will



NICHOLAS TIMMINS

The government is spending more, not less, on the big three - health, education and social security

take nearly 5.4 per cent, the result in part of the government's philosophy that "prison works". This significant cut in other

spending has been more than offset however, by the growth in welfare state programmes. That has been driven by a number of

now ageing more slowly than it was - forced up both health and social security spending during the 1980s. Medical advance has played some part in rising health expenditure. Unemployment. even now, still stands far higher than at the end of the 1970s. Social security spending is also

ment figures, the measures taken over the last four years alone will have reduced social security spending to a figure 25bn lower

than it would have been by the year 2000-01. The one welfare state area which has not seen its share of government spending rising that change may be higher edustill takes broadly the same 12 per cent or so; and that is in spite of the doubling in the number of students in higher education over the past decade.

up because there are many more of the paradox around public per- government

ceptions of welfare state spending - for education spending is widely perceived to be an area under acute pressure.

What has happened is that spending on schools has been favoured over higher education, Where unit costs have tumbled.

In health and social care there has been expansion in some areas - more high-tech medicine for example - matched by cuts in others. The provision of spectayesterday, it is now set to rise at cles has become both meanstested and privatised. Something similar is happening to dentistry: long-term care has been shifted away from the health budget to social security and social services, while more people have become subject to means tests and are thus paying for their care directly.

 $\gamma_{(i_{N_{\Lambda}}}$

In other words, the welfare state since 1979 has not reduced in scale at all. But it has in some key areas reduced in scope.

It is a trend which is likely to continue, with its core elements taking an increasing share of government spending while the area it covers continues to narrow - at least at the margins.

The next big programme to see sharply since 1979 is education. It cation - where it is likely a government some day soon will ask university students to contribute to their tuition fees through a graduate tax. But that will have to await That figure encapsulates some another budget from another

he Ruby Wax "interview" with Sarah Ferguson was a publicity stunt instigated by the interviewee in the hope that it would sell her book and help to get her out of debt. In several ways it was a dreadful bit of programme making. The Simpsons is an uninspired, crude and repetitive American cartoon series of low technical quality. The Triol Of Kevin Moxwell was an hour and a quarter of hagiography: it would have made a Martian wonder how anybody could have been so jolly nasty as to charge the saintly Maxwell Junior with any crime whatsoever.

All these programmes were shown by the BBC. But yesterday the British mass media were trumpeting the success of the BBC at the International Emmy Awards in New York. First news that the British had taken five prizes in the six categories was heard by many on the BBC's own Today programme on Radio 4. Awards went to The House (the backstage documentary series about Covent Garden opera house), People's Century (Peter Pagnamenta's history of the 20th century as seen by the man in the street), A Close Shave (latest of Nick Park's Wallace and Gromit cartoons), one of the Newsround Extra reports for children, and Smoke, a ballet programme co-produced by the BBC. Also included in the children's prize was Wise Up, a Channei 4 programme.

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THE PERSON NAMED IN

grammes not made in America. This media studies revolution. People began was not made clear by yesterday's pub- to write PhD theses on the semiologilicity blitz which left most people cal significance of the reception area believing that the British had won in in Crossroads, and now we have broadagainst America's own contestants. These things need to be stated

clearly because we are living in an age of woolly relativism. Good and bad are ceasing to have much meaning as com-missioning editors, awards juries and channel controllers turn their backs on the idea of distinguishing between high and low quality. They seem much more comfortable with notions of quantity. If a lot of people watch a programme then it is important, and anything important deserves endless discussion in print, on the radio, and on television. If it isn't so already, "popular" will soon be synonymous with "good" in television.

Hence the remarkable change in atti-

So whatever critics may say, British tude towards soap opera which, not from the ears of children. Today Dicktelevision is still knocking spots off many years ago, was regarded as ens and Apuleius are held in high the rest of the world? Well, yes and no. cheap entertainment for those whose These were not the Emmies. These brains could not cope with anything "International" Emmies are for pro- more complicated. Then came the

virtually all categories in the most sheet newspapers dedicating columns famous television awards in the US, not just to television but specifically to soap opera. The trouble is that this sort of coverage does not distinguish between the rare soap which shows a real flair for dialogue and characterisation (Coronation Street quite often, for instance) and those which merely blunder on from one publicity stunt to another. They simply wallow in that bath of populist sentiment where an

> of Albert Square is considered clever. We are not so much concerned here with the squabble over "high" and "low" culture. When his novels were coming out as part works Dickens was ered pretty low, and it seems all too likely that some Carthaginian Mary Whitehouse once campaigned to keep Apuleius's naughty stories away

> intimate knowledge of the inhabitants

esteem, but precisely because they are - because we realise that posterity may revise contemporary estimates of

worth - there is now a ridiculous tendency to go to the other extreme. All scap opera is treated as holy writ, all animated cartoons regarded as worthy of ponderous analysis, and in the shadow of that famous article in The Times by music critic William Mann when he compared The Beatles to Mozart, every new pop group is treated as a "super group" however banal and derivative its music.

What is missing is discrimination. The point about Mann's article was not that he had suddenly decided to abandon classical music and opt for pop, but that he was astute enough to recognise as early as 1963 that -regardless of where you placed them in the social/cultural spectrum - Lennon and McCartney were extraordinarily good song writers. Not all popular culture is bad, and there is nothing wrong with television programmes concerning themselves with the Ford Cortina as well as the Bach cantata.

make programmes about the outer fringes of the royal family, to show American animation series, or to make documentaries which seek to reveal the side of a coin previously concealed.

hat ought to matter is whether these things are done well or badly. And where popular culture is concerned it is crucial to keep in mind that not all of it is good. People seem to be inlied into the belief that the sheer quantity of promotion behind a programme shows that it must be significant. The Simpsons first appeared in the UK on satellite and cable and consequently very few people knew about it. Now the BBC has bought the series and uroceeded to trail it hysterically, devote the cover of Radio Times to it, with a three-page colour spread inside, "Reader Offers" of Simpson watches. Simpson tee-shirts, and so on.

If that great cultural institution the BBC is so enthusiastic, then presum-ably The Simpsons must be marvel-their tally.

lous. But what do you find? A prime example of the American "dumbing down" process, with sledge-hammer jokes, crude drawing, cruder colours, and a couldn't-care-less attitude towards any of the finer points of the art of animation. Look at the background in any frame of The Simpsons and then think about the backgrounds in Pinocchio. Or look at any entire episode of The Simpsons and think how much more irony, subtlety and humour you would find in 10 seconds of a Wallace and Gromit programme.

In the great scheme of things it may not matter greatly if Fergie wants to very much, however, do a programme with Ruby Wax, or Wax wants to do one with Fergie. But it is important not to accept this farrago at its own estimation but to point out that much of the programme was pointless because both egomaniacs were talking at once. The worrying part of the whole phenomenon was not that 30 minutes of television time was taken up but that the surrounding hype was so influential. It even got through to the Today programme on Radio 4 which devoted no less than 18 deferential minutes to a Fergie bookplug in the 8.10 slot where top politicians are usually lucky to get four challenging minutes.

Of course, the infuriating thing about writing a piece such as this is that the column-inch counters in the PR business will simply add it on to



Alec McCowen with Kate Duchène, Penelope Wilton and Lucy Whybrow in "The Cherry Orchard"

Theatre/Alastair Macaulay

Chekhov - in watercolour

he production of The Cherry Orchard that the Royal Shakespeare Company bas just brought to London strikes me as the best staging of a Chekhov play that the West End has seen during the 1990s. Doom and farce hang in the air side by side; the mood can change in a moment; we find ourselves laughing at the most unlikely things; and, like people in real life, the characters keep taking us by surprise. At the Albery Theatre, it replaces the Chichester Uncle Vanya. But whereas that was merely a disgraceful collage of thespian superficiality (English Chekhov at its most fetid and insincere), this directed by Adrian Noble - first and foremost makes us attend to the multi-layered humanity, the enthralling contradictions, and the so-lifelike fronies of Chekhov him-

It is not, however, quite the same as it was when new in 1995. On the thrust stage of the Swan in Stratford-upon-Avon with the audience

on three sides of it, it was chamber Chekhov, and engrossing. Behind the proscenium arch of the Albery Theatre, it seems in every sense a little too distant. And a touch of that gingerly, delicate, precious quality of restraint that marks so much Rnglish Chekhov has entered into it.

Yet it has also become funnier, and

it proceeds with welcome briskness. Interestingly, the most marvellous performances are now those with a streak of caricature. As the creaky old manservant Firs, the most superfluous character in the play, harking back to the good old days before freedom, Peter Copley is superlative, a dated old fusspot. He stares at Trofimov in vexed incomprehension, like a Louis Quinze armchair placed beside a Constructivist sketch. As Gaev, Alec McCowen is another kind of fusspot and excellent. His beaming old-maidish fastidiousness works beautifully in this emblem of an outmoded order. Darlene Johnson is extraordinary as the governess Charlotte: flamboyant, brusque, brisk and Duchène's Varya, Sean Murray's 25.

no-nonsense, even as she remarks that she is utterly alone and has no clue to the point of her existence. And Mark Lockyer makes Yasha a riveting, appalling, petty opportunist: the kind of character whose least utterance or action reveals whole new facets of himself.

Penelope Wilton is Mme Ranevskaya, elegant, charming, escapist, privately dried-up, and irresponsible. And she is the most perfect in judging the play's sudden leaps of mood: slicing through comedy into old grief, switching from lamentation to helplessly rude personal remarks, reacting to seriousness with inattention or frivolity. Everything she does is felt, and touching. But also a little too controlled. It took only one or two lines from Gwen Frangcon-Davies on an old tape of the play to remind me what I had missed in Wilton: a gushing effusiveness, a champagne-soaked extravagance, an idle glamour. Different kinds of too-English restraint also prevent Kate

Trofimov, Emilia Fox's Anya, and Louise Gold's Dunyasha from turning their intelligent, sensitive characterisations into brimful. living characters. David Troughton's Lopakhin and John Dougall's Epihodov both handle certain episodes very well; but sooner or later they cease to surprise us. So this tends to be watercolour Chekhov.

What a play! Although many of Chekhov's dramatis personae seem borrowed from Turgenev's A Month in the Country, he gives them a newer life here, and adds them up into a unique, and amazingly prescient play. The Cherry Orchard had its premiere in 1901; it shows the end of an old order as if it had been written in the Russia of five, or 20, years later. And it threads together lyricism, satire, pathos, absurdity, bleakness, and irony in a concentration that paved the way for decades of new drama in our century.

Albery Theatre, WC2, until January

Theatre/Ian Shuttleworth

Mixed-race family conflict

ceedings - flares, tank tops

Ella's dialogues with her

friend Annie make the odd

foray deep into the territory

of Les Dawson's Cissie and

The central issue of racial

and cultural identity is at

first given either formulaic

as a devout Moslem, is given

the mocking nickname

"Gandhi". Zita Sattar turns

in a fine comic performance

he first play to be Abdul will undergo the marwritten by Ayub riages he has arranged without consulting them.
An air of UK Gold sitcom Khan-Din generated such interest in Birhangs over the early promingham that the current London run is already sold out; the curious will have to and sideburns evoking a wait until Tamasha's production returns in early 1997 under the aegis of Philip

Hedley at Stratford East. East is East deals, semi-autobiographically, with a mixed-race family (Pakistani Ada. Youngest son Sajid has father, Lancastrian mother, a security parka, which he six children living at home) has not removed for a year. in Salford in 1970. The outside world is represented by news reports of the east Pakistani independence con- or humourous treatment: flict, as George Khan fulmi- Munir, who chooses to live nates against India's involvement there; Salford life takes the form of the children working in the family chippy and scoffing surruptious rashers of bacon, and Ella's remonstration when her husband speaks of their "lost" eldest son Nazir: "He's not dead, he's living in Eccles." The two environments coincide in George's determination that his sons Tariq and and confrontations. No one

cious piece of work, patchy

with multi-media imperfec-

tions and often impudently

referential but none-the-less

The eponymous protago-nist of Farr's script is a Ger-

man-horn director from Hol-

lywood's 1940s golden age.

As the story of his unfin-

ished masterpiece unfolds,

Klapper becomes an amal-

gam of Charles Foster Kane

and Erich von Stroheim.

with dashes of Fritz Lang

and several others thrown

in. Anthony Higgins gives a

performance of tutonic cold-

ness, bursting into passion

only for his work and quite

impassive when he remem-

bers the rosebud lips of his

first beloved. Klapper's

attempts to rewrite his youth would be destined to

admirable.

as tomboyish daughter As the crisis becomes imminent, however, Khan-Din deepens all these characters, allowing the complexity of the matter full rein in a

more than a piece of the solution, if there is a solu-tion. When George (Nadim Sawalha) lashes out at his wife or son, it is less an instance of a brutal nature period which now looks inherently comical, and than the cold violence of an automatic response to having his status questioned; he is bested when the family stand up to him, not in unison but in a spontaneous alliance of individuals.

Khan-Din's dramatic strategy walks a fine line, and puts only the occasional foot wrong. Khristine Landon-Smith's direction does it solid service. As ever, the Court's programme includes the full text of the play. albeit with inconsistencies; this review observes the spelling of characters' names used in the cast list rather than that in the script.

Royal Court Theatre Unstairs at the Ambassadors Theatre, London WC2, until December 7; Theatre Royal, series of intensifying debates Stratford East, Febrary 5 to March 8 (0181 534 0310).

Homage avid Farr's contribution to this year's centenaryto the of-cinema beano with film" staged/ screened in the Gate Theatre's neighbour, the Electric screen Cinema. It is a clever, auda-

end in tears and blood even without the self-censorship of a studio boss caught between the Hays Code and

the House Committee Whilst Farr directs the proceedings on stage, Ben Hopkins has shot filmic components which tacitly cite most of the last 100 years of film: an opening shot suggestive of Last Year in Marienbad, a deliciously tacky batch of screen tests and, in a wonderful pastiche of Expressionist cinema. Max's adolescence memories. Hopkins falls short only in the footage supposedly of Klapper's magnum opus, which (although nodding towards Menzie's 1935 film of Wells' Things to

Come) often feels less like

mid-century techno-fantasy than Wim Wenders' flat version in The State of Things. (Of course, this, too, maybe Rmily Lloyd makes an

erratic stage debut as Klapper's manufactured leading lady Bella Kooling. Although the camera clearly loves Lloyd's Lillian Gishlike features, her live portrayal of Bella's transition from diffident ingénue to defiant, self-assured celebrity seems stilted and laboured: she is noticeably more confident when called upon to act with her entire body than when restricted to gestures of hand and

However, for all its dense tributes and references, this is a work which thrives even without footnotes one aimed at film lovers rather than film buffs.

Gate Theatre at the Electric Cinema, London W11, until December 14 (0171 229-0706).



BARCELONA

Fundació la Caixa Tel:

EXHIBITION

34-3-4588907 Tibetan Sacred Art: this exhibition of approximately 200 pieces of sculpture and "thangka" (roll-up paintings on fabric used vhich symbolise the different

as an aid to meditation) presents a journey through twelve areas : religious spheres with the most representative characters and deities in Tibetan Buddhism. The works are from public and private collections in Europe and the United States and span the period from the ninth to the nineteenth century. Following the exhibition in Barcelona the show will travel to Japan; to Jan 12

■ BASEL EXHIBITION Kunstmuseum Basel Tel: 41-61-2710228 Russische und ungarische Avantgarde 1913-1925: exhibition

of graphic works created by

Russian and Hungarian avant-garde artists between 1913 and 1925. Included in the exhibition are works by Malevich, Rodchenko, Popova, Rozanova, El Lissitzky, Krutschonich, Moholy-Nagy, Péri, and others. The works on display come from the collection of the Musée d'Art et d'Histoire in Geneva; to Jan 26

BERLIN

CONCERT Konzerthaus Tel: 49-30-203090 Berliner Sinfonie Orchester. with conductor Michael Schoenwandt and bassoonist Rainer Luft perform works by Mozart, Aigmüller and R. Strauss; 8pm; Nov 30; Dec 1, 2

BONN OPERA

Oper der Stadt Bonn Tel: 49-228-7281 Die Zauberflöte: by Mozart. Conducted by Gustav Kuhn, performed by the Chor der Oper der Stadt Bonn and the Orchester der Beethovenhalle Bonn. Soloists include Melba Ramos, Lothar Odinius and Anna Maria Martinez; 7,30pm; Nov 29

■ BRUSSELS

FYHIBITION Palais des Beeux-Arts Tel: 32-2-5078486 Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailled black-and-white photographs of

flowers and plants. The display features approximately 200 original photographs; to Jan 5

■ COPENHAGEN CONCERT

10 01

 Helsingborg Symfoniorkester and the Sizellands Symfoniorkester, with conductor Okko Kamu perform works by Schoenberg and Stravinsky; 7.30pm; Nov 29

EXHIBITION Statens Museum for Kunst -Royal Museum of Fine Arts Tel: 45-33 91 21 26 Electronic Undercurrents -

Nam June Palk Video Sculptures: the whole ground floor of the Statens Museum for Kunst approximately 3,000 square metres - is cleared to make room for the video exhibitions "Nam June Palk Video Sculptures!, "American Film & Video: Whitney Biennial" and "Art & Video in Europe" with the collective title "Electronic Undercurrents". The three exhibitions combine to give an overall picture of international video art today; to Nov 30

■ ESSEN

EXHIBITION eum Folkwang Tet: 49-201-8845314 Sean Scully. Arbeiten auf Papier - 1975 bis 1995: this exhibition features some 60 works on paper created by the American abstract artist Sean Scutty over the past twenty years. Included

are pastels, watercolours and monotypes from the artist's private collection; from Dec 1 to

■ FRANKFURT AM Tivoli Concert Hall Tel: 45-33 15 MAIN

EXHIBITION Deutsches Architekturmuseum

Tel: 49-69-2128471 Eileen Gray (1878-1976). Eine Architektur für alle Sinne: retrospective exhibition devoted to the work of designer/architect Elleen Gray. The exhibition follows Gray's artistic development, from her works in lacquer to her architectural projects; to Dec 1

LEIPZIG OPERA

Oper Leipzig Tel: 49-341-1261261 Tannhäuser: by Wagner. Conducted by Jiri Kout, performed by the Oper Leipzig. Soloists include Bartha, Watson, Olsen and Neumann; 11am; Dec

■ NEW YORK **EXHIBITION**

Guacenheim Museum SoHo Tel: 1-212-423-3840 1996: The Hugo Boss Prize: exhibition featuring works by six artists nominated by the jury of the Hugo Boss Prize, an award in recognition of a body of recent work representing a major sesthetic achievement or a significant development in contemporary art. The six

nominees are Laurie Anderson, Janine Antoni, Matthew Barney, Cai Guo Qiang, Stan Douglas, and Yasumasa Morimura; to Jan

The Metropolitan Museum of Art Tel: 1-212-879-5500 Eugène Cuveller, Photographer in the Circle of Corot: this exhibition presents a selection of approximately 45 prints by Eugène Cuvelier (1837-1900) and his father Adalbert, the photographers most closely allied with the Barbizon painters Corot, Rousseau, Millet, Daubigny and others. The exhibition complements and coincides with the Museum's major exhibition of paintings by Corot; to Jan 12

OPERA Metropolitan Opera House Tel: 1-212-362-6000 Così fan Tutte: by Mozart.

Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Fleming, Mentzer, McLaughlin and Groves; 1.30pm; Nov 30

PARIS CONCERT Théâtre des Champs-Elysées

rel: 33-1 49 52 50 50 Sinfonia Varsovia: with conductor Yehudi Menuhin perform Beethoven's Symphony No.6 in F major, Op.68 (Pastorale) and Symphony No.3 in E flat major, Op.55; 8.30pm; Dec 1

EXHIBITION: Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50 Sean Scully - Catherine's

Paintings: each year, Sean Scuily dedicates one of his paintings to his wife, Catherine Lee. This exhibition brings together the 17 paintings Scully has dedicated to his wife over the years, accompanied by a selection of watercolours and his recent series Floating Paintings"; to Dec 1 Musée du Louvre Tel: 33-1 40 20

La griffe et la dent. Sculptures d'animaux par Antoine-Louis Barye: a tribute to the French animal sculptor Antoine-Louis Barye (1795-1875). The exhibition features 90 sculptures in stone, plaster, wax or bronze, and 50 vatercolours and drawings from the collection of the Musée du Louvre and other French collections: to Jan 13

FRANCISCO

50 50

OPERA

Bill Graham Civic Auditorium Tel: 1-415-861-4008 Les Contes d'Hoffmann: by Offenbach. Conducted by Steven Mercurio, performed by the San Francisco Opera. Soloists include sopranos Tracy Dahl, Patricia Racette and Susan Quittmeyer mezzo-soprano Catherine Keen, tenor Jerry Hadley and bass Samuel Ramey; 8pm; Nov 29; Dec 1 (2pm)

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10.00 European Money Wheel

18.00 Financial Times Business Tonight



Edward Mortimer

Hurdles to safety

Central Africa's refugee problem has highlighted how reluctant industrialised countries are to grant asylum

The tragic sight of millions of central Africans driven to and fro by the fortunes of detaining some asylumwar should at least remind seekers without charge and withholding social security Europeans and other northerners that the world refubenefits from others. gee problem is mainly in Earlier this month the the south. European Court of Human

Perhaps 12 per cent of the 13m refugees in the world (let alone the nearly 40m people forcibly displaced within their own states) ever reach an industrialised country. In EU countries, only about 300,000 people applied for political asylum in 1995.

Of those, the proportion accepted as refugees varies from 36 per cent in the Netherlands to just 5 per cent in the UK. British ministers cite the latter figure to argue that the other 95 per cent are "bogus", forgetting that a further 15 per cent were granted "exceptional leave to remain" (meaning that, even if not tion, to which most states technically refugees, they had good reasons not to go

People who approach the system from the side of the asylum-seeker - such as lawyers, and representatives of the UN High Commissioner for Refugees - do not believe even 80 per cent. "bogus". They say that in states redouble their efforts Canada recent reforms to to prevent asylum-seekers make the process fairer reaching them in the first were followed by a sharp place and, when that fails, increase in the proportion of applicants accepted. Within them on without examining Europe, the Dutch system is their claims. probably the fairest.

UK officials say their system is fair because it includes the right of appeal to an independent adjudicator. But lawyers say many adjudicators seem predisposed to accept the Home Office view, regarding the appellant with a priori sus-

In truth the UK, like most other European governments, is desperate to limit the number of asylum applicants, whether genuine or not. And seemingly it is prepared to go even further

Rights in Strasbourg (an organ of the Council of Europe, not the EU) ruled Chahal, an alleged Sikh terrorist, should not be deported from the UK to the words of the 1951 con-India because he risked vention, "a well-founded being tortured. Mr Chahal fear of persecution". had spent six years in a British prison without facing a charge.

of asylum-seekers, the court's decision also showed that the European Convention on Human Rights can sometimes give asylum-seekers better protection than the 1951 UN Convenrefer in deciding whether someone is a refugee. There is no appeal against a decision that you are not a refugee; but Strasbourg can protect your human rights from violation by a Euronean state whether you are

Besides drawing attention

a refugee or not. In the present climate. that will probably make to find excuses for sending

"humane deterrence", by served by the system of errors and mistranslations imposing heavy fines on airoperators which bring people into a country without proper travel documents. immigration officers to airline employees abroad, who that Mr Karamjit Singh are neither qualified nor encouraged to consider Britain, either because the whether a traveller has, in

The second aim is served by the 1990 Dublin Convention, and various "readmission agreements" with cento the UK's harsh treatment tral European states, intended to ensure that asylum pleas are heard in the country of "first safe arrival". This causes end-

> In the UK there have been this point. But the recent Immigration and Asylum Act means that people can be sent back to a country before their appeal against the ruling that that country is "safe" has been heard.

The British system is the slowest in Europe, partly because it is hopelessly underfunded. Appeals are adjourned month after month, even year after year. because the Home Office is not ready with its case, or because too many cases have been set for hearing on tary finds in his in-tray.

than others in so-called The first of those aims is the same day. Procedural "carrier responsibility": - again caused by lack of resources - give rise to lines and other transport applications, frequently granted, for judicial review in the High Court, which generally orders the appeal This transfers the work of to be heard again by another adjudicator.

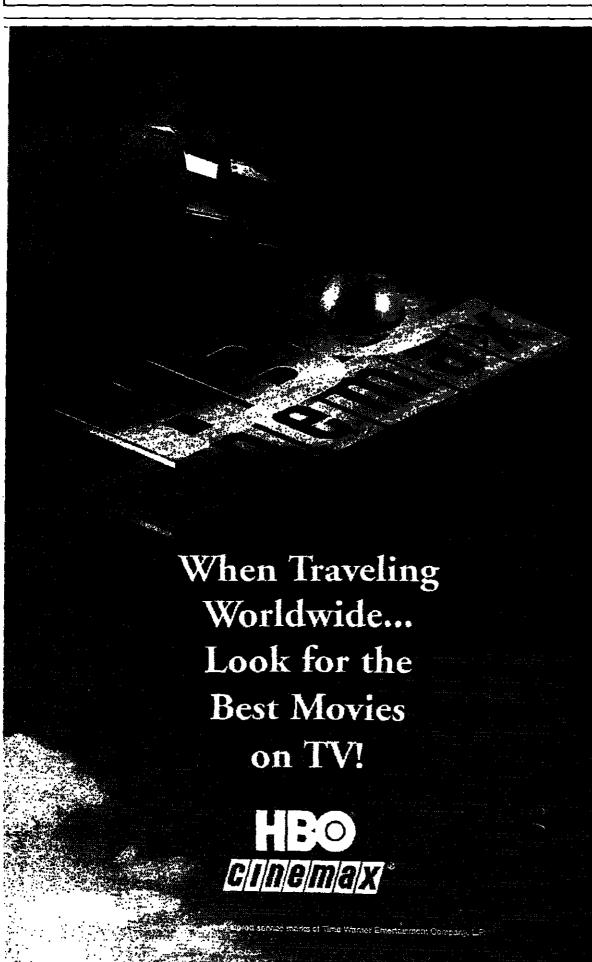
After all that, unsuccessful applicants often stay in police cannot find them or because, while waiting years for a decision, they have acquired some qualification for legal residence other than refugee status. Thus the system achieves

the worst of both worlds. The government fails to remove those whom it considers undesirable aliens, yet genuine refugees are harassed, insulted and kept less argument over whether in suspense, with no right a given country is safe for a to be joined by their fami-

Some sort of bargain is many successful appeals on surely feasible, whereby lawyers agree to reduce appeals in return for reforms making it less likely that genuine refugees will be turned down. More immediately, an early amnesty is needed to clear the backlog by admitting all who applied before a certain date.

Neither of Britain's main political parties will be keen to propose this during an election campaign. But it should be the first sugges tion the next home secre-





LETTERS TO THE EDITOR.

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Hypocritical to blame the Swiss

From Mr Jean-Christian I sambelet

Sir, Swiss authorities are reportedly under pressure to re-negotiate the 1946 agreement with the Allies settling the claims on looted Nazi gold shipped to Switzerland by Germany during the second world war ("UK may seek to reopen Nazi loot treaty", November 19). More generally, it has become shionable, particularly in the UK and the US, to vilify Switzerland for its role dur-

ing the war. Switzerland had nothing to do with the passivity of Britain and France in March 1936 when the Rhineland was re-occupied and Hitler could have been stopped and quite possibly toppled at the drop of a hat. Neither did it have anything to do with the infamous 1938 Munich agreement or with America's international aloofness right up to December 7, 1941. It

was these and other policy

mis-steps which led to the second world war and made the Holocaust possible. On that most basic count, Switzerland can only plead inno-

It is true that Switzerland's behaviour during the conflict was far from blameless. The Swiss National Bank was naive at best and an accomplice at worst when it accepted German bullion. The country could also have sheltered at least twice as many refugees as it actually did. especially in 1940 to 942.

But what about those refugees who tried to escape to safety before the war broke out? The UK was relatively open to them but the US record is dismal. So what is more important

gold during the second world war or humans rescued in time? And what about other neutrals? Unlike Switzerland, Sweden let fully armed German divisions cross its territory and Krupp steel was made with high-grade Swedish ore. The list could go on. As to the zillions in Swiss

banks, suppose that in, say, 1987 or 1938 you had been a rich German resident of the Jewish faith and you had decided not to emigrate while feasible, where would you have put your money in Switzerland, abutting Germany and likely to be on Hitler's shopping list, or across the Atlantic in a US

As the archives open, it is healthy that these and other issues be aired. But there is blame enough for all the actors in those barbaric times. So why "gang up" on little but oh-so-rich Switzerland? The hypocrisy of it all!

Jean-Christian Lambelet, professor of economics. University of Lausanne. Créa Institute, CH-1015 Lausanne.

Gatt more impressive

From Mr David Woods. Sir, If anyone should, the FT should know better. Officials from around the Pacific Rim may not have had much more success than Gatt in agreeing to cut their trade barriers but, like their forebears, they can't resist a good chin wag". (Observer. November 25). I seem to recall that the

General Agreement on Tariffs and Trade succeeded in bringing average industrial tariffs down from about 40 per cent after the second world war to around 3 per cent now. Has the Asia Pacific Economic Co-operation done anything similar; if so, I seem to have missed it. And has the Asia/Pacific grouping achieved anything remotely as impressive as the Uruguay Round? That was Gatt; hardly chat!

David Woods 21 Chancery Lane London WC2A 1LS.

Jets to Jakarta will cause instability

From Mr Frank Blackaby. Sir, Two points on your somewhat tepid editorial imprimatur on "Jets to Jakarta" (November 22). You say "Were Britain to forego

the opportunity, others would take it up". That is also the argument used by Britons who engage in the drugs trade - but I assume you draw the line at endorsing their activity. The next sentence reads: " . . . a wellequipped Indonesia is impor-tant to maintaining a strategic balance in a region made volatile by the emerging strength of China". What strategic balance is this? The balance between Indonesia and China?

South-east Asia has a multitude of boundary disputes particularly maritime disputes, as conflicting exclusive economic zones are mapped out. It is intellectually irresponsible to suggest that sales of weapon systems into the area will improve regional stability. They will worsen it, by provoking competitive purchases and so increasing the risk that one or other state may try to settle a boundary dispute by military means.

Frank Blackaby. 9 Fentiman Road London SW8 1LD, UK

From Mrs L.M. Hanna Sir. Your article "City's Crestfallen hero" (November 16) mentions some of the problems being experienced by the Crest electronic share settlement system, but omits any reference to the inherent shortcomings of the sys-

As a private shareholder I have sought information but neither the Bank of England, nor CrestCo, nor various PLCs have been able to

quote me any benefit that the individual investor will gain from Crest. It appears to be a classic example of the tail wagging the dog. where some expensive administrative system is installed for the benefit of the administrators, and not of the users who pay for it.

Crest aids administrators, but not users

Under Crest, shareholders rights are only safeguarded by a voluntary nominee code which carries no penalty for non-compliance. The Institute of Chartered Accountants in England and Wales has already expressed concern to the Board of Trade at the growing diminution of shareholders' rights. One PLC has informed me of the probability that most private shareholders will not participate in the Crest system.

L.M. Hannay. La Combe, 24220 Le Coux et Bigaroque,

Best system

From Mr James Sandilands. Sir, Michael Skapinker asks what can be done to alleviate the trauma of checking in at airports (Business Travel, November 25). The former BEA used to have the answer to this: the Cromwell Road terminal in west London. Here passengers could check in and then board a bus for the airport knowing the aircraft would wait for them should the bus be held up by traffic. Similarly, the former BOAC had a terminal at Victoria. Perhaps BA could be persuaded to use this system again. The queues that air passengers have to endure at the airport would then be reduced to just four: showing their boarding passes, security check, passport and embarking.

James Sandilands, 58 Doneraile Street. London SW6 6EP. UK

Personal View • **Lawrence Lindsev**

Emu: an American view

Managing a continent-wide currency union is a big economic challenge



cannot appreciate the historical and political motivations which seem to be the main thrust behind Epropean monetary union. I also firmly believe this is an issue for the people and parliaments of Europe to decide, and thus one on which Americans and American political institutions should avoid taking policy posi-

Being

American, I

But as a US central banker responsible for the world's argest currency union, I can provide an informed perspective on some of the economic challenges in managing a continent-wide currency

In any dynamic modern economy the size of the US or the European Union there are bound to be significant regional differences in economic performance. Economic policy tries to assuage such differences and set up automatic stabilising mechanisms by which they become self-correcting. Movements in exchange

rates can act as such an automatic stabiliser. The exchange rate varies cyclically as real interest rates depress the attractiveness of financial assets in a slumping economy and boost those in an overheating one. The deterioration in the real exchange rate provides an injection to the weak economy in the form of export demand while the appreciation in the currency of the fully expanding economy helps reduce excess demand.

Under a single currency, the stabilising process must find an alternative mechanism. In a depressed economy, one such mechanism is a boost in the attractivenes of fixed investment through a deterioration in the prices of real assets.

In an economy where monetary policy is pursuing long-term price stability, this

would require a decline in nominal asset prices. Such price declines are quite disruptive economically and tend to damage financial services businesses by reducing the value of collateral underpinning their lending.

The US experienced such difficulties in the 1980s and 1990s. Examples include the fall in asset prices in Texas and Oklahoma after the oilprice collapse of the mid-1980s, the end of the so-called Massachusetts miracle in the late 1980s and the decline in Californian property prices in the early 1990s. Where there are many dif-

ferent currencies, much of the decline in relative asset exchange rate adjustments rather than nominal price falls. So, if there had been such a thing as a "California dollar", the nominal decline in Californian property prices in the early 1990s might have been as great in terms of US dollars, but substantially less in the local

California currency. In the absence of exchange rate variations between US regions, the automatic stabilisation of regional economic differences relies on two other mechanisms: labour mobility and fiscal transfers. The US is characterised by

an extremely mobile workforce. The US Census Bureau estimates that roughly 17 per cent of all Americans move in a typical year and 3 ner cent of the national population, some 7.7m people, change their state of resi-This provides a major part

Linguistic and cultural differences are no doubt major impediments to widespread migration between EU

member states

of the interregional adjustment in the US economy. For example, during California's recent economic difficulties between 1990 and 1994, for example, nearly 1.2m people left the state.

This led to a rapidly expanding labour force for booming areas of the west. For example, Utah added 200,000 jobs, a 24 per cent increase in the same period, and Colorado added 300,000 jobs. Not only are regional kind of mobility, but the beneficial effects show through in a relatively high level of output and low level of unemployment.

in Europe, cross-national prices would lead to migrations simply do not approach this magnitude. The EU has taken dramatic steps towards ending the formal barriers which existed for citizens of the member states, but significant informal barriers remain. Linguistic and cultural dif-

ferences no doubt are major impediments to widescale migration between EU member states. Over time, one might expect these differences to diminish. But in the short run Europe simply cannot rely on labour force mobility to stabilise regional economies to the same extent as the US. The second major source

of inter-regional economic stability in the US comes from automatic changes in fiscal transfers between the regions and central government. The progressive tax system provides most of this adjustment: because the tax take is closely related to income levels, regions in recession find that their net fiscal positions change rapidly through the cycle.

For example, when the California economy was booming during the period 1987-91. the state provided nearly 17 per cent of marginal federal tax revenues. while driving its share of tax receipts up from 12 per cent to 13.4 per cent. From 1991 to 1994, the state's share of marginal federal revenue fell to just 8 per cent and its share of the national tax burden declined to 12.5 per

These differences are quite significant. Had the 1991 tax

constant, Californians would have paid \$11bn more in taxes in 1994 - or \$350 per

In the New England reces sion of the late 1980s, the automatic fiscal stabilising effect was even prester. amounting to \$550 per capita. These examples of the fiscal transfer effect of automatic variations in federal tax payments can amount to 11/2 to 2 per cent of personal income. One might equate this to an automatic tax cut in the UK of between £10bn and £12bn.

It is important to stress these changes are automatic and stem from existing fiscal institutions. Discretionary fiscal policy can augment these effects.

But the efficacy of such discretionary policies often suffers from a variety of lags in perception, decisionmaking and disbursement. Just as the stabilising properties of exchange-rate variastabilising alternatives to these variations should also occur without requiring action by decision-makers. In comparison with the US

Europe has no such automatic fiscal transfer mechanism. European expenditure programmes do involve some transfers of resources. But they are not deliberately countercyclical in their effects or even in their intent. Under the proposed stability pact to stop members of the single currency running large deficits, discretionary policy cannot be used to mitigate regional economic variations.

In sum, a review of the methods for carrying out the stabilisation function in a currency zone indicates that the US has developed institutions to substitute for the lack of exchange-rate variations between its regions. Europe does not have such alternatives. But to say that this is true now does not mean that this will always be the case, as economic convergence and institutionbuilding continues apace.

The author is a governor of the Federal Reserve for the district of Richmond,

Apec oppor

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والإستالة

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Hard or soft boiled Emu

to be taken on what counts as The citizens of these countries, adequate convergence for memcomplex game, mixing interpretation of numerical criteria with politically charged voting on who makes the grade. It is too early to predict what will happen. But it is not too early to decide what should occur: mitial members of Emu must be those countries - and only those countries - that have demonstrated the capacity and the will to live with a hard currency.

Difficulties are inevitable. A decision to accept every country that has made an effort, however belated to meet the criteria would mean a wider zone of currency stability and a happy band of southern members; but it would also disturb Germany and might undermine the credibility of the new currency. A lecision to restrict membership to a hard core with a proven track record would limit the this can be done by paying zone of currency stability and, at least for a while, divide the European Union; but it would comfort the German people and give the euro the best chance of establishing itself.

However painful, a decision the second option; better to disappoint some than to risk ultimately ruining the hopes of all. call for a disruptive postpone Emu must at the very least own members. To ensure this, everybody should agree to apply the spirit rather than the somewhat confusing letter of the convergence criteria.

Stability pact

The criteria were an attempt, unavoidably imperfect, to decide whether a country had shown the political and economic capacity to link its currency to the D-Mark without undue difficulty over an extended period. How the fiscal position of a country has evolved gives an indication of this: so does the stability of its exchange rate.

and would be unable to do so have is machismo. Machismo is after just one more year. Does exciting; but prudence is wiser.

deprived of the capacity to bership of European economic adjust exchange rates, may and monetary union. It will be a clamour for a more inflationary monetary policy and a looses fiscal policy. It is because they fear the latter that the Germany insist on a stability pact. Unfortunately, their proposals are likely excessively to circumscribe the fiscal policy of soundly managed countries, thereby exacerbating conflicts between countries in temporary difficulty and their partners.

Postponement

There is a deal to be done. Germany should be assured that the spirit of the criteria will be respected. It, in turn, should accept that a currency union lacking either labour market flexibility or internal transfers must grant its memthan it now envisages. Ideally, greater attention to cyclically adjusted deficits. An alternative would be to give more leeway to countries with lower burdens of public debt.

The deal is needed, because the alternatives are worse. If. must be made. It should be for for example, Germany is confronted with a wide Emu and a toothless stability pact, it may ment of the entire project. Alterwork to the satisfaction of its natively, Europe may be cursed with both a wide Emu and inadequate fiscal flexibility, which could be still worse for prosperity and harmony.

The fundamental decision must be to accept in the first wave only those countries that have demonstrably converged. What would this mean? That membership should be restricted to countries which have shown themselves able to perform in the same league as Germany with both a fixed exchange rate against the D-Mark and roughly the same fiscal policy as Germany itself. Italy has not yet demonstrated this, despite the weekend agree ment to admit the lira to the Several applicants have yet to exchange rate mechanism. Neldemonstrate such a capacity ther has Spain. To pretend they

Apec's lost opportunity

operation forum, is now doing the rounds after its unproductive summit in Manila this week. The harsh truth facing leaders of the 18 countries who is embarrassingly apt.

which the leaders were supposed to start turning their vision of regional free trade by 2020 into reality. Instead they failed to put sig-

nificant individual marketopening measures on the table They did not even endorse less contentious, collective trade facilitation proposals, such as a regional business visa, which the private sector had backed. By not injecting political momentum at a critical moment, the leaders have raised doubts about the value of the Apec process.

One lesson may be that trade liberalisation is doubly difficult when it is attempted outside the framework of a proper negotiation, in which participants have to make concessions to attain their objectives. Asian leaders have always resisted a formal negotiation, arguing that peer pressure would spur liberalisation. Instead it has bred compla-

Information technology Manila's meagre results refute Apec is the supreme manifestation of how trade regionalism can get results faster than the World Trade Organisation, or can build important momentum for eventual multilateral deals. The summit's close was marked by open disagreements among leaders about the seriousness of their declaration of support for a WTO agreement to dismantle tariff harriers on information sort of G7, where the real husitechnology, a declaration which President Clinton fought hard to include in the final communi-

The US and other Apec members should conclude that multi- founder unless Canada, next lateral negotiations, for all their year's host, manages to restore shortcomings, are still the best some credibility to its free trade way to advance global liberalis- vision.

A Perfect Excuse to Chat. That ation. Governments should not unflattering description of Apec, be deflected by the mirage of the Asia-Pacific Economic Co-regional agreements from the need to focus on making the WTO work better.

Still, Apec cannot easily aban-don its ambitious target. Calling the meetings off would be a seri be that this year's flop was This was the meeting at induced partly by concern about weak export performance among Asian countries. As long as efforts at regional liberalisation proceed on a non-discriminatory hasis, they cannot hurt the global effort.

Bilateral relationships

Furthermore, Apec serves a broader purpose. The meeting between Presidents Clinton and Jiang Zemin was an important opportunity to rebuild the bilateral Sino-US relationship at a personal level.

Some argue that Apec should move explicitly into the area of security. There is a certain logic to this. A desire to enhance regional security through economic integration was always an underlying motivation, as, on the part of many Asian participations, was a desire to keep the US engaged in Asia.

But Apec would scarcely be a practicable security forum. Not only is security inevitably taboo in any grouping that includes both Taiwan and China. The Asean regional forum, in which Russia and western Europe are claims by its supporters that also involved, is already established in that role.

Besides, the really hard regional security issues turn on the relations between the three main powers: the US. China and Japan. It is on their ability to establish an acceptable way of living together that the region's security really depends.

In the longer run, Apec's best hope may be to turn itself into a ness is conducted in private bilaterals between the leaders. That would not be ignoble. It is good that people talk, but even that modest objective will



Determined to stay ahead

Singapore's government is striving to maintain the island's lead over neighbouring Malaysia, writes James Kynge

or all its economic success, the Singapore government is notorious for a sense of caution that verges on insecurity. The country's leaders have often paused during the last three decades of accelerating prosperity to remind its citizens of the fragility of their new wealth.

Singapore has achieved one of the highest levels of per-capita income in the world, promoting high-technology foreign investment and developing famously efficient service industries: sea cargo transhipment, the airline and the airport, finance and tourism. But the exhortations to "work smarter and harder" are becoming more shrill.

The warnings reflect concern among Singapore's leaders that its economy is vulnerable to Asian countries. Foremost among the competitive threats is neighbouring Malaysia, the much larger federation which the island state left in 1965. In a speech in August, Mr Goh

Chok Tong the prime minister warned his people that Singapore's independence might be at stake: "If we fall behind and cannot make a living, we may have to ask to rejoin Malaysia." His remarks followed similar

comments along similar lines by left the Malaysian Federation in 1965 - just two years after it had toined - Mr Lee, then prime minister, went as he delivered the news on Singapore's television

favouring Malays over other races (the main cause of the dispute). He was also convinced that Singapore was too small to survive alone. Since then the economic success which he helped create in Singapore suggests he was mistaken.

But this year Mr Lee raised the possibility of rejoining Malaysia Malaysia adopted a meritocratic sia's largest port.

system in which no race held a privileged position.

Foreign diplomats in Singapore were shocked by the proposal. Most of them now think that Mr Lee raised the issue not out of a serious desire to reunify but as a ploy to spur Singaporeans to greater efforts - it is an open secret that few in Singapore's ethnic Chinese majority want to reunite with a Malaysia domi-

nated by ethnic Malays. One concern for the island's leaders is the impact of rising costs on the competitiveness of its manufacturing industries which accounts for 25 per cent of gross domestic product.

For example, factory-machine operators in Singapore earn the equivalent of about US\$540 a month, compared with \$300 in Malaysia. While the island's current manufacturing downturn is growing competition from other largely due to a cyclical slowdown in global demand for electropics goods, there is increasing evidence of longer term, structural pressures

Business leaders on the island warned recently that unless the cost of land and factory rentals, wages and some utilities were decreased, Singapore's competitiveness as an international manufacturing base could be jeopard-

Another concern is the challenge to some of the pillars of the reans. Regularly voted the Mr Lee Kuan Yew, the architect city-state's economy posed by of Singapore's sparkling eco- ambitious economic projects of magazines, it handled some 23m. nomic success. When Singapore neighbouring countries, espe- passengers last year with uncom-

For example, Singapore has the busiest port in the world after Hong Kong. It wins high marks for efficiency and generates more than 5 per cent of the island's He opposed Malaysia's policy of gross domestic product. Malaysia, however, has grown impatient at watching some 56 per cent of its export cargoes being shipped to foreign markets from Singapore. 'We don't want to compete

with Singapore but we have to try to handle our own cargo and take back that part of our cargo which goes through Singapore. over a rare lunch with journalists says Mr M. Rajasingam, general in June. He declared that reunifi- manager of the Port Klang cation was possible as long as Authority, which oversees Malay-

An expansion project at West-1965. As they disengaged, Singaport, part of Port Klang, reveals how serious Malaysia is. Some M\$3bn (\$1.2bn) is expected to be spent on increasing the number of deep-water berths at Westport from 12 to 32 in 2005.

By then, Malaysia aims to have won back all 3m TEUs (twentyfoot equivalent units) of its container cargo which now goes through Singapore. This is a significant part of the business of the Port of Singapore Authority, which last year handled 11.85m

TEUs. More important, Port Klang, touting its cost advantages over Singapore, has begun to woo cargoes for transhipment which are carried on ships to Singapore from countries such as India, Burma and Indonesia.

The Malaysian port has a long way to go before it can rival Singapore, but it has had some successes. Nineteen new shipping services have started calling at Port Klang this year, bringing the total to 28, according to port officials. Most of these new services are from nearby ports -but a few are by mainline vessels which take on a full load at Port Klang before setting sail for their destinations across the Pacific.

Another of Singapore's most valuable assets is Changi airport, a source of pride to Singapoworld's best by travel industry

promising efficiency trump it. The Kuala Lumpur International Airport, envisaged as a breezy glass and aluminium structure enclosing a small rainforest, is scheduled to open in January 1998 and will be able to. handle 25m passengers in its first phase. By 2008 it hopes to manage 35m and by 2012, 45m. Officials make no secret of their desire to make the airport the hub for south-east Asia, a role currently enjoyed by Changi.

Financial services is another industry facing more competition. The financial markets of Singapore and Malaysia the two countries separated in tals that surround it, the island-

pore took the lead in innovation and reaped the benefits: the Singapore International Monetary Exchange (Simex), set up in 1983. was the first formal financial futures exchange in Asia. Fortified by its links with the Chicago

Mercantile Exchange and Tokyo's stock market, Simex appears unassailable in the medium term. But Malaysia has some advantages in the battle to be the

region's financial centre. Its stock market is bigger and more liquid than Singapore's, and recent initial public offerings on the Kuala Lumpur Stock Exchange have proved popular. in contrast, Singapore has suffered several flops in new issues

ast December Malaysia opened the Kuala Lumpur Options and Financial Futures Exchange (Kloffe) which trades stock market futures, and in May the Malaysian Monetary Exchange started trading the first interest-rate contracts denominated in Malaysian ringgits. Both markets made modest starts but turnover is expected to grow as the government permits the trading of other types of prod-

ucts, such as bond futures. Another possible threat to Singapore's financial supremacy is the Malaysian tax haven of Labuan, A small island off the Malaysia, though, has plans to coast of Borneo, Labuan was unaccustomed to anything more complex than a fish suction until it was given its special status in

This allows it to offer secrecy, low taxes and few regulations on transactions in currencies other than the ringgit. It has become a base for 51 offshore banks, 15 trust companies and five insurance companies.

Singapore, however, remains. the location of choice for regional corporate headquarters and research and development facili-

Compared to the trafficremained interlinked long after clogged, bustling national capi-

safety with manicured roads and spotless shopping malls. Singapore is the safest and most convenient city in the region.

"The only advantage that other countries like Malaysia may have over Singapore for a regional headquarters is cost," says the manager of a European bank. "But when you consider all the other factors, this [advantage] is more than offset."

And recognising that rising costs mean that Singaporeans must offer the highest possible levels of skill, the government this year unveiled generous spending plans to boost the country's performance

One project will spend S\$1.5bn (\$1.1bn) over the next five years to promote innovative thinking in schools. Another plans to spend S\$4hn over five years on research and development.

Singapore's vision is for an "intelligent island" in which computers will replace paperwork and possibly cash.

"Our new vision is for Singa pore to possess world-class science and technology capabilities in areas that best support our key industries and spur the growth of new high value-added industries," said Mr Yeo Cheow Tong, the trade and industry

Unsurprisingly, Malaysia dreams of something similar, but bigger. This year the government launched a "multimedia supercorridor" - a 750 sq km zone near Kuala Lumpur which it hopes will become a global hub for information technology.

The zone will include a new administrative capital city (paperless, of course) and placid, Sineaporean-style developments where so-called "knowledge workers" can live and create products unmatched by anything

Singapore can offer.
But while Singapore is likely to find its neighbours gaining on it, its lead remains considerable. The concern of its leaders to ensure that the island-state retains its competitive advantage in south-east Asia should ensure that this is a race in which there will not necessarily be any losers.

100 years ago

Motor Car Races. We learn that Mr. Harry J.

Plan early for leaks

In Britain the leaking of Kenneth Clarke's (possibly final) Budget to the Daily Mirror, the historically left-wing tabloid newspaper that - superficially loathes everything Clarke stands for, has set hares racing off in all directions.

None more spritely than those concerning the Mirror itself, which demurely said it didn't publish the details in order not to upset the markets. That's rather hard to credit - just like the Mirror itself. In any case such larks come as

no surprise to Norway, where in October last year one of the country's top three daily newspapers, the left-of-centre Dagbladet, went the whole hog and printed almost the entire. national budget statement.

A sympathetic printer slipped the document to the newspaper, which printed all but the more tedious details the day the then Labour prime minister, Gro Harlem Brundtland, was to announce it in the morning to parliament.

The moral of recalling the Norwegian tale in this instance is very simple, and should be noted by those now about to round up the usual suspects in the UK. One mouth ago, another return, but I can pay people to of Norway's leading newspapers, do that for me."

Aftenposten, mused about the notorious and highly embarrassing budget leak. In doing so, it observed that the source had never been traced.

Cost of comedy M And speaking of budgets, the situation in Denmark isn't so rosy either, as Jacob Haugaard, the professional comedian who in 1994 was elected as an independent member to Denmark's parliament on a

programme calling for a following wind on all bicycle paths, can testify.

Denmark's minority coalition government - comprising the Social Democrats, the Radical Liberals, and the Centre Democrats - faces a tricky situation; so far it hasn't obtained majority support for its 1997 Finance Bill

One plausible scepario

suggests that Haugaard could be left with a deciding vote; in other words, the choice of perhaps forcing Poul Nyrup sen, prime minister and leader of the Social Democrats, to call a general election. Haugaard is most unhappy with that prospect. He told a local newspaper the other day: "I don't understand a word of the Finance Rill. In fact I don't even understand my own income tax

despite a degree of urgency over this matter - the crucial vote is scheduled for December 19 - he: hasn't yet opened negotiations with the minister of finance. Mogens Lykketoft, to demand something in exchange for his vote in favour of the Bill. That's quite surprising, given the season, as another of his election. platform demands was - more presents from Father Christmas.

Haugaard-watchers note that

Mote in your eye ■ Despite the urgent need to return to London to put in a loyal appearance. Roger Freeman, Britain's minister in charge of deregulation, managed to pay a fleeting visit to Brussels yesterday, in order to trumpet a Suropean Union initiative -

largely inspired by the UK - to

cut red tape.
This burst of enthusiasm stands in sharp contrast to an appearance at an internal market council meeting earlier this year, when the so-called SLIM (Simpler Legislation for the internal Market) initiative was first discussed. On that occasion SLIM was adamantly blocked by Britain, thanks to its stance of non-cooperation the EU in the high pitch of the beef war. And who was the UK's Mr Blocker? Why, the crusading Preeman also forgot to Freeman himself.

mention vesterday that along with Germany, Britain is oracoff the EU's most enthusiastic. with domestic rules and regulations far outnumbering the amount of red tape alleged churned out by Brussels, May Freeman should think about silimming down Whitehall Pork budgets

■ in Russia, too manie are turning to matters buogsta turning to matters beingstary But in this case it's the personal budgets of MPs In a proposal that would make even the most venal US congressman blesh Galling congressman bleak Gathne Starovoltova, a former silent Starovoltova, a former silent Starovoltova, a former silent Starovoltova, a former silent Boris Yeltsin and nowen, MP has just floated the just silent floated the just silent government should give all 500 deputies tim apiece to spend as they think best minder size perhamentary control, of course. Her argument is their over?

MP, who knows their constituents needs for heiter than the government acade for heiter than the government and the start silent sould float direct the inquery to whose it is most useful. That wend what he government and the start sould float idea as sufficilly excland differ all, it still needs of Santistic the last still needs of Santistic the ment; at least it cans out the middleman.

Lawson has, on behalf of the British Motor Syndicate, made a firm and substantial

offer to the directors of the differ to the directors of the Epson Grand Stand
Association for the purpose from time to time of obtaining the use of the Epson race frack for motor car races. The scheme, which has its strikingly nowel and picturesque side maets, it is understood, with serious opposition in some quarters. That, however, Mr. Lawson hopes to overcome, and he hopes to overcome, and he states that, in his opinion, the races would become an inturencely popular institution. In fact, he predicts that they would revive the Unilling interest in the chariot racing of the olden

50 years ago Voting in Uroguay

Senor Berreta is to be the new president of Traguey as a result of the voting last stradey. Settlement of the electron removes one of the harriers to discussions on the harriers to discussions on the future of foreign owned ambaguises in the country. It is expected that the new Government will favour a neitre of partial nationalisation :--



Wednesday November 27 1996



Budget to put UK within Channel criteria for Maastricht

By Peter Martin in London

Britain yesterday joined the list of countries promising to cent. achieve the Maastricht criteria in 1997, with a Budget which made small cuts in planned

chancellor, said the UK's gov. of 1996 would be 3 per cent, erument deficit in 1997 would falling to 2½ per cent by mid-"by happy coincidence" be 1997, he said. lower than the Maastricht threshold of 3 per cent.

The budget was largely as the markets had expected. Mr ing the speech, but weakened Clarke's room for manoeuvre slightly by the end of London was limited by the election due before May next year.

Public spending in the liscal year beginning in April 1997 would be 2.3 per cent higher in nominal terms than in the current year, the government said, but 0.6 per cent lower than indicated in previous plans. The public sector borrowing requirement would be £19bn (\$32.11bn) in the next fis-

The government promised to

by large companies and to cut definition, the government the basic rate of income tax by said its deficit would fall to 4 one percentage point to 23 per per cent this year and 21/2 per

"I am tightening fiscal policy now to reduce the risk of having to tighten monetary policy government spending and excessively ... to hit my inflancome tax. tion target," said Mr Clarke. Mr Kenneth Clarke, the Inflation in the fourth quarter

> The markets' response was neutral. Sterling reached a 32month high of DM 2.5586 durtrading, finishing at DM 2.5520. Three month interest rates

fell slightly, with the futures contract assuming a quarter-point of monetary tightening Before the Budget, the expectation had been for a rise

of a third of a point over that period. Long-term interest rates were unchanged Shares were largely unaf-

fected, as trading ended before the end of Mr Clarke's speech.

Jardine Fleming withdraws

cent next. The debt to GDP ratio would remain below the

By Andrew Jack in the Channel tunnel

And at the site where the fire-stricken train halted and the blaze was at its worst, deep piles of grey rubble cover the tracks where they fell from the tunnel's curved roof, 50 metres

tunnel, the Anglo-French tunnel operator, had allowed journalists to see the damage. On one lorry carrier, a truck cab had been crushed by the ceiling of the wagon, which had buckled on top of it. Its cargo had been turned into a pile of ashes. Still discernible in other wagons were loads of

where temperatures had surpassed 800 degrees Centigrade, the damage appeared less severe than suggested in some

ment, set several centimetres into the lining. Engineers on site said such damage

The thick metal safety doors connecting the railway tunnel and emergency tunnel -

Mr Dominique Dorso, one of

However, Eurotunnel officials said they believed a partial Eurostar passenger service could begin as early as the beginning of next week - subject to approval of a safety

tunnel fire leaves ash. rubble and wreckage

Deep inside the Channel tunnel, even 10 kilometres away from the point where fire raged at the start of last week, the air was still thick with the smell of smoke.

below sea level. Six wagons from the train

remained stranded there yesterday, the first day that Euro-

paper, pineapples, even However, even in the worst-affected part of the tunnel

initial reports.

Visible through crumbled sections of the concrete lining of the tunnel itself was the first grill of steel reinforce-

stretched for about 300 metres. Mr Pierre Matheron, who was in charge of construction for the French side of the tunnel and bas come out of retirement to help with repairs, said he was "surprised but not shocked" by the damage.

He conceded that in places the lining of the tunnel was damaged to more than 30 centimetres of its 40-centimetre thickness. However, only 40 metres of rail track had buckled and had to be removed, he added, and the area of tunnel needing repair would be little

more than half a kilometre.

through which passengers escaped - were undamaged, with only their yellow paint stripped off. The outline of the word "exit" was still visible.

the engineers leading the renovation work, said he believed full repairs would take six months, "and that will still be a big challenge".

to meet again today.

Karachi exchange nominee was discovered to have as a way for MRJ to settle its By Norma Cohen in London diverted profitable trades to debt. However, according to the documents, Jardine Flemhis own personal account.

and Farhan Bokhari in

Jardine Fleming, the Hong Kong-based investment bank. has withdrawn its nominee for its first member of the Karachi stock exchange after an accusation that the man had submitted a forged document.

The affair has sparked an outcry in Karachi where the rules for foreign-owned broker- a new firm. ages. Local brokers say the rules for foreign brokers.

The move is also another Kong conglomerate, and Robert Fleming, the UK invest- the proceeds of unsettled

dine Fleming submitted to the negative feedback from reli-

affair is likely to raise pressure Jardine Fleming had consid- believed Mr Tariq Jamal's on the exchange for tighter ered forming a joint venture blow to the reputation of Jar-dine Fleming, jointly owned by Mr Jamal's father, Rashid.

one of its top fund managers for KSE membership, but also alternative joint ventures.

in Pakistan, the application of Mr Tarlo Jamal, which Jar-

Karachi exchange last month. included an allegedly forged university diploma, according also abandoned efforts to force to documents obtained by the Mr Rashid Jamal, as part of Financial Times. Jardine Fleming intends to appoint Mr Jamal head of broking for JF KSE is already reviewing its Brokers Pakistan (Private) Ltd, The documents show that

> which had formerly employed roughly \$4m, understood to be until April 1997 to form a joint

ing abandoned plans for a joint

venture with MRJ after "very able sources within the banking community in Pakistan". It the deal, to "repay" \$250,000 of MRJ's debts in the form of an office at the KSE and a telephone booth on the KSE floor. In Hong Kong yesterday,

Maastricht threshold of 60 per

with the position of other

European Union member states," said the financial

statement accompanying the

or stay out of a single cur-

national interest, remains a genuine choice for the next

rency, based on British

the time comes," said Mr

Clarke. "We will qualify, but

GDP would grow at an

cent over the next 18 months,

said the statement, thanks to

strong growth in consumer

expenditure, and sharp

increases in business invest

Budget details, Page 7:

Analysis, Page 8; Lex

we will choose."

"Our option whether to join

"This compares favourably

Bachelor of Commerce degree with MRJ Broking, the firm from the University of Karachi was genuine and that he was a highly skilled broker. Pakistan's finance ministry Jardine Matheson, the Hong It owes Jardine Fleming has given Jardine Fleming

Jardine Fleming said it

ing a full stock exchange seat. Jardine Fleming said yester-

venture as a prelude to obtain-

In August, regulators in Jardine Fleming in Hong Hong Kong and London forced. Kong said it had considered, day it had submitted an alterit to pay Sum in fines and the joint venture not only as a native name to the KSE for to the adjacent maintenance compensation to clients after means of obtaining approval approval and was considering

Continued from Page 1

Spain and the European Union were seeking with the Cuban

government Spain has been the driving force behind a new EU stance pressing Cuba to move towards democracy and improve its human rights record, and offering increased co-operation if progress is made. Yesterday's statement

Europe today The Benefux will have sunny periods. Germany will be mainly dry with sunny periods. The

disturbance which brought

precipitation to north-western Europe will move through the Balkans. A new disturbance will bring rain to the British Isles but

sun is expected in the south. Western France will have rain but

the south-eastern Mediterranean coast will have plenty of sun, Rain is expected in northern Spain but

and cloud. Italy and the southern Alps will have sunny periods but

there will be snow in the northern

The disturbance over the British Isles will gradually move into the

pressure will provide Spain and Portugal with ample sunshine. A low pressure area will bring rain to

north-western Europe. High

Five-day forecast

e Spanish government had spearhead for US interests within the EU".

EU to provide economic assis-

The move followed a meeting this month between Mr other sectors worth an esti-Aznar and Cuban President mated Pta10bn (\$80m). Fidel Castro during the Ibero-American summit in Chile. Mr Aznar was understood to have offered to help persuade the

Havana refuses Spain's ambassador democracy. But this received a "transformed itself into a flat rejection from Mr Castro. Spain is one of the leading foreign investors in Cuba. with interests in tourism and

> It has also been enjoying rapid growth in its exports to the island, expected to increase to around Pta70bn

this year. FT WEATHER GUIDE 1020 the south will have a mixture of sun continent bringing abundant rain to 20 21 Cold front ____ Wind speed in KPH

TODAY'S TEMPERATURES

Italy and the Balkans.

	Maximum	Beiging	sun 2	Caraca
	Cofolus	Belfast	ræan 7	Cardiff
Abu Dhabi	sun 26	Belgrade	rain 4	Casable
Accra	cloudy 30	Berlin	cicudy (i	Chicago
Akphes	cloudy 21	Bermuda	shower 22	Cologn
Anistercani	cloudy 4	Bogota	fair 19	Colum
Athens	shower 16	Bombay	sun 34	Dallas.
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8. Aires	sun 28	Budapest	танп 2	Dubel
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Bangkok	taur 3∴	Catro	1atr 23	Dubrov
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Lufthansa

We can't change the weather. But we can always take you where you want to go.

London

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Me

Majorca
Maita
Manchester
Manchester
Manchester
Merilla
Melbourne
Mexico City
Milan
Montreal
Moscow
Munich
Nairobi
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New York
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Rangoon
Reylqavik
Rio
Rome
Seoul
Singapore
Stockholm
Strasbourg
Sydney
Tangier
Tel Auty
Tokyo
Terorito
Vancauver
Venice
Vianna
Warsaw
Washington
Wellington shower 1 fair 25 fair 14 fair 18 fair 6 shower 30 tair 0 fair 5 cloudy 0 sun 7 cloudy 15 sun -8 sleet 5

THE LEX COLUMN

Chortling chancellor

Rarely has a British pre-election Budget been so boring. From the perspective of financial markets. that is no bad thing. Mr Kenneth Clarke, the chancellor of the exchequer, did come up with a small bribe by cutting the basic rate of income tax. But the overall fiscal stance was remarkably conservative for this stage of the electoral cycle. Once the slew of tax increases is taken into account, the net tax give-away is only 0.1 per cent of GDP. Subtract the effects of lower spending and there is actu-ally a fiscal tightening of 0.23 per cent of GDP.

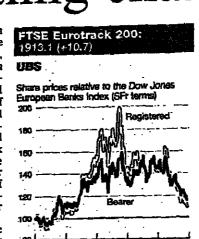
All this puts the UK's public finances in better nick than many feared - certainly better than those of many European countries, which are having to fiddle their figures to meet the Maastricht Treaty's conditions for monetary union. That is good news for gilts, though equities may not fare as well, given that the tax increases will fall predominantly on companies.

But Mr Clarke will make a big mistake if he thinks the Budget removes the need to tighten monetary policy. Much more restrictive fiscal policy would have been needed for that. With economic growth accelerating, inflation seems set to exceed the govern-ment's already implausible 21/2 per cent target by a wide margin unless interest rates are put up again. To be fair, all Mr Clarke has said is he wants to avoid tightening monetary policy "excessively". The sooner he acts, the greater the chance of achieving that.

Budget casualties

The chancellor was looking for easy targets to offset his personal tax give-aways, and targets come no easier than the utilities. Squeezing capital allowances on long-life assets looks rather like the Tory equivalent of Labour's utility windfall tax, since it will largely hit water and electricity companies with their networks of pipes and wires. With the measure forecast to raise £675m in 1999, it could yield as much as Labour's version over the life of a parliament.

Alcopops, fruit-flavoured alcohol drinks, were another sitting duck, given their appeal to under-age drinkers and the fact that they have grown into a £300m-a-year business in just two years. Bass accounts for two thirds of those sales and, while consumers will take most of the



profits hit. The electrical retailers look worse off, following likely tax increases on their highly profitable warranties. The tax hit could knock 5 to 10 per cent off Dixons' profits if it has to pay VAT on warranties. The proposed measures on warran-ties would also impact travel agencies, television rental firms such as

Thorn and car hire companies. The tour operators had a particularly bad afternoon. The increase of up to £10 on air passenger duty matches their average profit per holiday, so it will clearly be passed on, but at some cost to volumes. By contrast, the increase in the insurance premium tax will have only a minimal impact on the UK's general insurers, as consumers will bear the

Union Bank of Switzerland's reputation as the plodder among the big three Swiss banks is richly deserved. Not only is it the last to tackle the problems of the dire domestic market but yesterday's restructuring package is also the most timid of the three. UBS is cutting 800 jobs in Switzerland, half as many as Swiss Bank Corporation and fewer than a quarter of the number going at CS Holding. UBS says it has been trimming staff for years. But at the end of this exercise it will still have a bigger Swiss workforce and 20 per cent more branches than its two rivals, yet roughly the same domestic market

share.
The one-off loan provision of SFr3bn is more of a step forward. UBS is finally acknowledging the dire state of the Swiss economy. price increase, it could take a £3m now in its sixth year of recession.

But this special charge, coming on top of SFri.4bn of regular had debt provisions this year, puts paid to the long-held belief that the bank's asset quality is superior to that of its peers, it has now provided against fully 8 per cent of its domestic loan portfolio.

regulator develo

UBS forecasts that this shake-up will boost its return on equity from 75 per cent last year to 12 per cent by 1999. This is slightly disingenuous, since pulling provisions into 1996 inevitably flatters future years. It cannot hide the fact that the group remains overcapitalised with a tier 1 capital ratio of around 9 per cent - and that it will take further restructuring to make anything approaching a decent return in its me market.

Italian equities

Maastricht-inspired euphoria has done wonders for Italian bonds and the currency, but has left equities out in the cold. The Italian stock market has underperformed the rest of Europe excluding the UK by 20 per cent since 1995, despite the arrival of an apparently fiscally

responsible government. As a result, the gap between bond yields and the earnings yield on equities has narrowed to 1.5 percentage points, against an average of 7 points over the past decade. Yet double digit earnings growth is expected over the next three

However, Maastricht will carry a considerable cost. The downward push in the lira's European exchange rate mechanism parity of 1.990 to the D-Mark has the same economic impact as an interest rate rise, at a time when economic growth is slowing. Yet the Bank of Italy is unlikely to cut interest rates until the budget is approved. Exporters, which is one of the most dynamic segments of the stock market, will suffer. Moreover, a tighter budget and impending Euro-tax will put back a consumer recovery, to the detriment of the likes of Fiat.

Of course, falling bond yields could encourage some switching into equities, while the gradual introduction of privately-funded pension funds should fuel demand for equities. But poor corporate governance, combined with the absence of any drive towards delivering shareholder value via restructuring, provide compelling arguments against a significant

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New Issue / October 1996



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Paribas Capital Markets Merriii Lynch International Nomura International

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> Dalwa Europe Limited **HSBC Markets** SBC Warburg

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PANIES & MARKETS

Wednesday November 27 1996 © THE FINANCIAL TIMES LIMITED 1996



IN BRIEF

Regulators agree to develop rules

Regulators from around the world have agreed to develop rules that would allow them to identify large exposures in commodity futures and over-the-counter markets. The agreement, announced after a meeting in London, comes in the wake of the Sumitomo trading scandal where Mr Yasuo Hamanaka ran up losses of \$2.5bn in the copper market. Page 20

TGN plens gas pipeline to Brazil Argentina has moved closer to supplying gas to the potentially vast Brazilian market with the announcement by Argentine group Transportadora Gas del Norte (TGN) that it intends to build a pipeline to southern Brazil. The pipeline would stretch some 440km and cost at least \$250m to construct. Page 14

Sidor sale draws global interest The privatisation of Venezuele's Siderurgica del Orinoco (Sidor), the last Latin American steel complex to remain in state hands, is attracting keen interest among Maxico's leading steal companies, as well as other groups such as Kobe Steel of Japan and Dong Kul Steel Mill of South

Olivetti dissolves emergency committee Olivetti, the troubled Italian information technology company, dissolved the executive committee set up as an emergency measure in September, reinforcing the power of Mr Roberto Colaninno, the chief executive, and the 17strong board. The company said the committee, which was increased last month from four to five members, was no longer needed, and that its dissolution followed a period of stabi-

UK power group to post dividend rises National Grid Group, the owner of the highvoltage transmission system in England and Wales, said it planned to deliver real dividend increases of 4 to 5 per cent, higher than expected by the stock market, over the next four years. However, the company risked the electricity regulator's ire by unveiling a plan to achieve this growth on the back of 6 per cent real reductions in controllable costs a year, over the four years beginning next April.

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Dong Kul Steel Mill	15	Readjout	1
Duracell	15	Royal & Sun Alliance	1
Essi America	14	Selnabury, J.	1
Energia	16	Severn Trent	1
Eurotunnel	12	Sidor	. 1
Fed. Airports Corp	14	Stora	1
Federal Express	6	Sun Altance Life	1
3KN	16	Sun Microsystems	
Gas Natural	14	TGN	1
Зептех	14	TNT	1
General Motors	4	UBS 15,	1, 1
Gillette	15	Visa	
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Highland Distil	6	YPF	1

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Foreign exchange

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New Intl bond leaves

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Short-term let rates

Anglo defends Lonrho purchase

Chairman says 26% stake is long-term investment as he unveils strong interim results

Mr Julian Ogilvie Thompson. chairman of Anglo American Corporation of South Africa. yesterday fended off criticism of the company's recent purchase of a 26 per cent stake in Lonrho, the conglomerate, as he unveiled strong interim

results. Headline earnings, which exclude both exceptional gains and losses and surpluses on disposal of investments, disposal of investments, Anglo into conflict with the increased by 22 per cent to European Commission by

Thompson said headline carnings in the second half were likely to be similar to those of the first six months and this would "give significant real growth for the year".

However, questions from analysts and fund managers in London and Johannesburg suggested the investment community remains puzzled by Anglo's Lourho purchase, particularly as it might bring

platinum market. "You paid R2.5bn and you guys don't seem to know what you are going to do with it," one ana-Mr Ogilvia Thompson said

the stake was a long-term investment of a type Anglo was experienced at handling, He promised that, although at present Anglo was showing a loss on the stake - bought from Lonrho's former chief executive Mr Dieter Bock - "in the long term, shareholders

R2.443bn (\$530m), well ahead potentially increasing the will be pleased with the deal".

of forecasts. Mr. Ogilvie group's influence in the global He said Anglo had always realised that, because of its own dominant position in the platinum market, "it would be against the rules to interfere with Lonrho's platinum

> Discussions about the plati-num issue had started with the European Commission "and we are confident we can come to a satisfactory arrangement". Anglo's not earnings for the six months to end-September increased by 52 per cent to

Angle also announced yesterday that it had created South Africa's first blackowned mining house by selling its controlling stake in JCI, the

gold producer, to a consortium led by Mr Mzi Khumalo, a former political prisoner on Robper cent of JCI to the African Mining Group, a consortium of black investors, for R2.8bn. R2.975bn (1.045 cents a share

1995). The interim dividend is

being lifted by 28 per cent to

acquires **Putnam**

Pearson

entertainment group, yesterday significantly extended its international publishing interests by paying \$886m for Putnam Berkley, a leading publisher of best-selling authors in the US.

The deal underlines Pearson's commitment to general trade publishing as well as educational publishing and will make its Penguin subsidiary the second largest English language trade pub-

Although the purchase from MCA, the media group con-trolled by Seagram, was carried out by the existing Pear-Scardino, who takes over as Pearson chief executive in January, was kept fully informed of the negotiations and supports the acquisition.

Putnam Berkley, which specialises in best-selling authors such as Tom Clancy, Patricia Cornwell, Dick Francis and Kurt Vonnegut, had operating profits of \$84m on sales of \$276m in the year to the end of June.

The deal was structured to ensure that Pearson, whose interests include the Financial Times, would get the benefit of pre-Christmas sales, estimated at \$20m in positive operating cashflow.

Mr Michael Lynton, who succeeds Mr Peter Mayer at the end of this year as chairman and chief executive of Penguin Group, said yesterday: "The two businesses complement each other extremely well. They will create a very powerful publishing house able to attract more authors than the two individually."

Penguin has a strong backlist of titles while Putnam's strengths lie in its "frontlist" typically write a new book every year.

One factor in the deal was the position of Ms Phyllis and chief executive of Putnam. It is believed Pearson was her preferred purchaser once it was decided the bustness was for sale. Ms Grann will become president of the Penguin-Putnam businesses.

Disney shares lifted by late surge in profits

By Richard Tomkins

Big profit increases from films, theme parks and broadcasting helped Walt Disney, the US entertainment group, record a 60 per cent surge in underlying net profits to \$854m in its fiscal fourth quarter to September, the company reported yes-

Earnings per share, boosted by \$462m worth of stock repurchases during the quarter, rose by 63 per cent to 52 cents, well ahead of the expected 48 cents. The shares were \$2% up at \$76% in early trading.

The strong fourth quarter performance, driven by a 12 per cent increase in revenues to \$5,3hn, helped offset weak performances in the first two quarters, leaving full-year net profits 16 per cent ahead at \$1.5bn. These pro forma fighad been in effect for the whole of both years.

Mr Michael Eisner, chair-man and chief executive, said the performance showed the integration of Disney and ABC was working well, while Mr Michael Ovitz, president, highlighted record attendances at Disney's theme parks. In the creative content divi-

sion, the biggest of the three,

fourth quarter revenues rose

by 18 per cent to \$2.7bn and operating profits rose by \$1 per cent to \$387m. Disney said the figures reflected the successful domestic home video releases of Oliver & Company and Aladdin and the King of Thieves, the domestic box office success of Phenomenon. and strong performances in the international market by The Rock and The Hunchback of Notre Dame.

The division's results also

but the increases were partially offset by lower television results due to the syndication of Home Improvement in the prior year.

Broadcasting increased revenues by 4 per cent to \$1.4bn and operating profits by 36 per cent to \$229m

Disney said the division benefited from reductions in programme amortisation and other costs attributable to the acquisition, primarily at the television network. These outweighed the impact of a further drop in ratings. The theme parks division

increased revenues by 11 per cent to \$1,2bn and operating profits by 16 per cent to \$242m resulting from record attendances and increased spending by visitors to Walt Disney World and Disneyland, Disney said these gains reflected increases in domestic and



Denmark seeks to form joint Nordic bourse

The Danish stock exchange said yesterday it was inter-Nordic bourse with Stockholm, Helsinki and Oslo in a bid to meet the challenge of stock market integration in Europe.

The decision adds urgency to debate in Scandinavia about the feasibility of a pan-regional trading system. Mr Lars Johansen, Copenhagen bourse managing director, said the Nordic countries needed a big-ger platform to compete with and Paris, on \$401bn and

Johansen said in a Danish newspaper interview. A joint Nordic bourse would

join Paris as the third higgest stock exchange in Europe, measured by domestic turnover. The four markets had combined turnover in October of \$48bn, putting them behind only London and Frankfurt. Their market capitalisation was \$357hn at the end of June,

ipate in a Nordic bourse," Mr on the European securities market made it necessary for the four main Nordic countries to co-operate by means of trading and information systems. He envisaged the creation of a pan-Nordic bourse within three years, predicting full

talks between the exchanges would start next year. If no merger could be agreed, Copenhagen would consider a merger with Stockholm alone or look for potential partners further south, in Benefux, Ger-

a longer time period, but trade is conducted electronically so there are no physical limitations on co-operation."

The four main Nordic bourses have in recent weeks held informal discussions about collaboration. But many observers have been sceptical about a full merger, suggesting Stockholm's dominance would prove an insurmountable obstacle for the others.

Stockholm would represent about 55 per cent of joint mar-

other European bourses. "The \$539bn respectively. Mr Johan many or France, he said, "In ket capitalisation . However, its attention is deflected by negotiations on a possible merger with OM Group, the Swedish derivatives exchange operator, which is Stockholm bourse,

Mr Bengt Ryden, head of the Stockholm stock exchange, said he did not believe a full-blown merger between the bourses was politically feasible in the short term, but he was in favour of creating a common trading link between

Barry Riley

Economic cost of Italy's financial success



DM990, a round number des-

igned by a European Union committee. This follows the amazing re-rating of Italian government bonds recently, with the spread against 10-year German bunds shrinking from 500 basis points to 175 since January. These bonds are now rated

more highly than UK gilts, a reflection of the refusal of the British government to make up its mind on the single European currency. Yet Britain's reasons for hesitation are only confirmed by the Italian expe-

Despite (or rather, because of) the financial recovery Italy has achieved, including a 28 per cent rally by the lira against the D-Mark in 19 months, the aconomy has

Real growth may be less than I per cent for 1996, and recovery h. es for 1997 are feding fest, bearing in mind that a special Euro-tax is proposed to massage down the budget deficit. True, inflation has now fallen below the British rate.

Yet for all the misery, the Italians see economic and monetary union as offering an escape route from their country's fiscal crisis. Public sector indebtedness is, notoriously. 125 per cent of gross domestic product, more than twice the Maastricht reference level. On its own, Italy has faced a drift into insolvency or infla-

Italy's financial tion, which is why its bonds rehabilitation yielded almost 14 per cent as continued at recently as last year. Inside Emu, the sums would with the lira's look different, and the bond ERM re-entry at market has already rewarded this realistic? Italy for effort.

Thus Italy has achieved a primary surplus (a budget sur-plus before debt interest, the latter being more than 10 per cent of GDP). The big falls in interest rates will help the budget progressively and quickly as the debt (whose average term is 3% years) is But will this be enough?

Yet for all the misery, Emu is seen as an escape route from the country's fiscal crisis

There is talk of cosmetic measures to defer certain interest payments in order to squeeze beneath the fiscal deficit ceiling in 1997. A much more fundamental debt restructuring could follow in due course. That prompts the nasty thought that Italy's quickest and most direct route into

down its debt by half. This seems unthinkable, but remember that the debts totalling 125 per cent of GDP represent only part of government obligations, The present value of unfunded future pension deficits amounts to much more than another 100 per cent of

The bond market assumes

ment will default on part of these social security promises (indeed, it has already started to renege), but will fully hon-our the contractual debts, is

Pension cuts anger a lot of voters - and in Italy, they vote often. But then, debt restruct uring or default would be hazardous too because public sector debt has almost entirely been held domestically, and largely by private

On the other hand, oversees ownership of Italian govern-ment debt has recently risen above 20 per cent

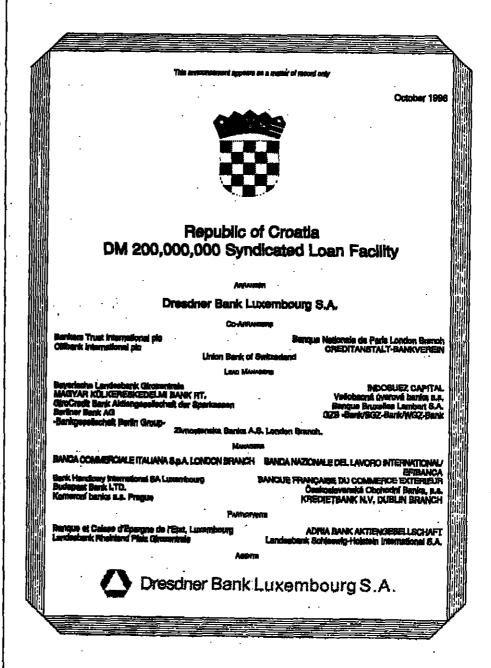
Signing up for the suro would by no means be a soft option for Italy, because effec-tively it would have converted its debt into a foreign currency and given up its inflation

Perhaps sure real rates will be affordably low. Maybe a massive privatisation programme would permit Italy to repay a large proportion of its

Believe it if you wish. All the same, credit rating agencies are now calculating that, post-kmu, high-quality Italian private sector borrowers would enjoy a better rating than the

Emu would be first to write In the background are those worries that Padania, as the northern separatists dub their region, will carry away most of the wealth and income, leaving the south with too many of Even without such a disas-

ter, Italy has an awfully long way to go to rescue its public finances, And Emu is a shaky



Lloyds TSB to sell off Macquarie holding

George Graham in London

group, will record a pre-tax the Hill Samuel name. profit of around £40m (\$66.8m) on the sale of its shares are being sold at stake from 100 per cent to 30 remaining 13.4 per cent A\$7.60 each, or just over per cent in 1985, and cut this Hill Samuel stake, and talks subsidiary, will have the stake in Australia's Mac- A\$151m (US\$122.5m). The to 15 per cent four years ago. quarie Bank to the Brunei Investment Agency, the cant discount to the market sell out entirely has been investment arm of the government of Brunei.

quarie stake with Hill Sam- at A\$8.68 on the news. nel, the merchant bank it acquired when it merged with TSB Group last year. el's intentions towards its ment banking as a core The group has been rapidly stake in the Australian activity.

TGN

Brazil

By David Pilling

in Buenos Aires

plans gas

pipeline to

most of its investment banking activities, leaving fund management as the only sig-Lloyds TSB, the UK banking nificant business still to bear 1980s, and the UK bank had been no significant given.

price is pitched at a signifiprice for Macquarie, which widespread since Lloyds listed last July. Macquarie Lloyds inherited the Mac- shares closed 6 cents lower

speculation over Hill Samu- Lloyds did not view investshutting down or selling investment bank.

tralia operations in the midremained the largest single The 19,96m Macquarie shareholder. It reduced its

Speculation that it would August.

merged with the TSB Group. Mr David Clarke, Macquarie chairman, said yester-The sale ends months of day that he understood

Macquarie said it knew

Macquarie was born out of BIA through a "dialogue" on include clearance under Austrus in the Philippines and the former Hill Samuel Aus-Australia, although there guidelines, have now been

BIA, which is buying the stake via its Brunei Investinterested in acquiring the ment and Commercial Bank on the deal started in right to take its stake to 15 per cent and to have a representative on the Macquarie

managing director, said the board. Although there are no forstruck on a provisional basis mal guarantees, Mr Clarke said that it was in the nature when the bank's share price of BIA to be a long-term

BIA has other financial services investments in the The approvals, which region, including broking exceed A\$20bn

agricultural property in Australia's Northern Territory. Macquarie Bank said that it was "very proud" of the new association, which it

saw as consistent with its growing range of interests "I would hope we could work with them [BIA] on a number of investment pro-jects in the region," Mr

Macquarie has a market apitalisation of about A\$1.3bn

Clarke said.

Assets under management

KTM offering faces revved-up demand

The Austrian motorcycle maker hopes to capitalise on success in niche markets

financial link. However, BIA

had indicated it would be

Mr Allan Moss, Macquarie

transaction was originally

subject to approvals -

was just over A\$8, and that

the large discount had devel-

oped since then.

en years after Harley-Davidson, the US motorcycle group beloved of Hell's Angels and the Californian Highway Patrol, roared back on to trian competitor, is gearing up to be Europe's first pub-Argentina has moved a step closer to supplying gas to the potentially vast Brazillicly quoted specialist motorcycle company. ian market with the Harley-Davidson and KTM acement by Argentine

bikes than it can sell, and its

Mr Pierer has steered clear

group Transportedora Gas operate in different niches of del Norte (TGN) that it the motorcycle market, but have a similar financial hisintends to build a pipeline tory. Harley-Davidson was on the verge of bankruptcy to southern Brazil. The pipeline, which would stretch some 440km from when it was rescued by a Entre Rios province in new management team northern Argentina to Rio which proved it was possible for a small manufacturer to compete with BMW and the Grande do Sul in southern Brazil, would supply gas provided exclusively by Japanese giants by develop-YPF, the privatised Argening a cult image in a niche market. Today, Harleytine hydrocarbons group. It Davidson produces far fewer

Under an agreement between TGN, YPF and shares are selling at an exclusive 25 times earnings. Petrobrás, Brazil's state oil KTM, based in Mattiggroup, gas would be sold via Petrobrás to a private comhofen in Upper Austria, began making motorcycles pany operating a yet-to-be-built 450MW combined-cycle in 1953 and was producing off-road bikes before the Japgenerator in Rio Grande do anese. However, its strategy Sul. The company will be of concentrating on a limited determined by a public tenrange of high-performance der being organised by Rio competitive motorcycles led Grande's state electric utilto bankruptcy. In December 1991 a new management team took over, led by Mr

Stefan Pierer.

By Nikki Tait

Corporation, whose 22 airports are

being privatised by the federal gov-

ernment, yesterday announced that

YPF executives said the pipeline, expected to transport 2.5m cu metres of gas daily, would mark an important breakthrough in the gradual liberalisation of Brazil's energy market.

YPF has a strategic alliance with Petrobrás through sporty image into related which the two companies | markets. A KTM rider won tures in Argentina, Brazil and other Latin American countries, and through which YPF hopes to prize open opportunities in Brazil's traditionally closed energy sector.

Argentina meets nearly third of its energy needs through natural gas, while gas fills only 1 per cent of Brazil's energy requirements, creating a huge potential for Argentine exports.

YPF is among several companies exploring for gas in north-western Argentina with the intention of proving sufficient reserves to justify a much bigger pipetrial heartland of South



Taking off: KTM has restored its fortunes by aiming its products at people who prefer racing their bikes to polishing them

cent increase on the previous year. has been excluded from the privati- while Melbourne slipped 7.7 per cent

Of the three airports being priva-

appeal to ageing swingers, such as Malcolm Forbes, late publisher of Forbes magazine, KTM aims at the kind of bikers who want to race their machines rather than polish them.

of competing directly with The result is that KTM's the Japanese volume producers. Instead he has exploited sales have more than dou-KTM's success in competibled, to 15,086, since the new tion racing to extend its championship in 1974 and still small beer when com-New Zealand's Shayne King pared with Honda's 4.5m or Sch51 in 1997-98.

there is a pent-up demand vide a clue to whether the among Austrian retail invesamong Austrian retail invesrode a 360cc KTM machine Harley-Davidson's 118,000. to victory in this year's However, KTM now Motocross championship.

recovery owed a lot to its year to end-August 1996 erating a level of excitement premium to their upper price

increased its pre-tax profits not seen since Wolford, the of Sch600 when trading by a third to Sch101.9m (\$9.53m) on a 25 per cent rise in sales to Schibn. The current earnings per share of Sch17 figure is calculated after a venture capitalist has taken two-thirds of the Sch81.8m net profit. The venture capitalist's stake will and Deutsche Morgan Grenteam took over. In 1996-97 it decrease after the flotation fell. In the past, such issues ing foreign investors' percep-

public offering on the Aus- Deutsche Telekom issue. exports more than 90 per trian stock exchange for As a result, KTM shares the best deals. While Harley-Davidson's cent of its output and in the more than a year and is gen- may open at a substantial

Total revenues rose 14.6 per cent to sation programme until "noise"

A\$579.3m, driven largely by higher issues can be resolved. Sydney

international passengers increased tised in the first tranche. Perth regis-

Aggregate domestic passenger A\$91m, an increase of A\$22.3m.

Austrian maker of women's luxury hosiery, came to the market in February 1995.

KTM plans to float almost half of its equity at a price ranging between Sch500 and Sch600 per share. Joint lead nearly doubled. The danger managers are Creditanstalt is that the same thing might expects to build more than with the result that Austrian had to rely on heavy internation that the Austrian mar-18,000 machines and top analysts forecast earnings tional demand to be success- ket is rigged against them. Sch37 and Sch47 a ful. This time, however. The KTM offering will proamong Austrian retail inves- Austrian stock market has KTM is the first initial tors who missed out on the

to A\$48.3m.

vately-owned sugar mills. at PepsiCo in the US. Mr

Last week SEZ, an Austrian high-tech company, floated its shares on the Swiss market at DFr960. In the first three days of trading they happen with KTM, deepen-

begins in mid-December.

changed, or is still a cosy club where the insiders get

The government has asked a

shortlist of around 12 bidders to

draw up offers for Perth, Brisbane

and Melbourne, and bids are due by

William Hall

INTERNATIONAL NEWS DIGEST

Deere posts record fourth-term profit

John Deere, the agricultural and heavy equipment maker, reported record earnings for the fourth quarter, and said improving worldwide dietary trends and rapid income growth in most of Asia and Latin America would continue to strengthen demand for agricultural products, including the company's farm machines

Fourth-quarter income rose 15 per cent, to \$173.9m, or 68 cents a share, from \$150.6m, or 57 cents, a year ago. Sales rose 7 per cent to \$2.9bn, For the full year, Deere reported net income up from \$706.1m, or \$2.71 a share, to \$817.3m, or \$3.14 a share. Sales for the full year were \$11.2bn, up from \$10.3bn a year ago. Export sales from the

US rose 26 per cent this year, to top \$2.5bn.
"Worldwide demand for John Deere agricultural equipment remains very strong," said Mr Hans Becherer, chairman. "Favourable weather conditions in the major producing areas in North America, combined with removal of all annual acreage reduction programmes in the US, resulted in significant increases in production of wheat, corn, and soybeans in 1996. However, despite recent price declines, grain prices remain at reasonably good overall levels."

Laurie Morse, Chicago

NWI gains control of ATL

New World Infrastructure (NWI), the infrastructure arm spun off from New World Development last year, has taken control of Asia Terminals (ATL), which operates the third container terminal in Hong Kong's Kwai Chung port, in a deal worth HK\$1.59bn (US\$205.9m).

NWI's controlling stake in ATL is the result of the infrastructure company lifting its interest in Sealand Orient Terminals, which owns 50 per cent of ATL. After the deal, NWI's holding in ATL will rise from 39 per cent to 54.17 per cent. NWI is to fund the acquisition through a mix of 42.8m new shares and a cash payment of HK\$795.1m. The price of the new shares, at HK\$18.57 each represents a 5 per cent discount to the closing price of HK\$19.95 on November 6, when the deal was being put together. Yesterday, the company's shares closed up HR\$0.15 at HK\$22.35. Louise Lucas, Hong Louise Lucas, Hong Kong

Sun Alliance Life expands

Sun Alliance Life Assurance, the Australian life and pensions subsidiary of the UK's Royal & Sun Alliance, has agreed to buy 60 per cent of Connelly Temple, a specialist superannuation business based in New South Wales. The sale, which is subject to approval is expected to be completed in December. No financial terms were disclosed. Connelly Temple has A\$700m (US\$563m) under administration on behalf of more than 40,000 individuals.

KPN extends TNT offer

The recommended A\$2bn (US\$1.62bn) offer by the Dutch-based KPN group for Australia's TNT has been extended to December 12. The bidder said it was now entitled to about 32.5 per cent of its target's equity.

Nikki Tait, Sydney

James Hardie in Philippines

James Hardie, the Australian building products company. is moving its fibre cement business into Asian markets for the first time, forming a joint venture with Jardine Davies in the Philippines. The joint venture will start building a A\$50m fibre cement plant south of Manila next year, and is aimed at supplying Manila's active housing construction market.

Stora looks to Asia

Stora, the Swedish paper and packaging group, is seeking a larger presence in Asia by establishing production plants in the region, newspaper Finans Tidningen reported. "We want a larger presence in this important growth market," the group is reported as saying. "We don't want to comment on how long we have left from thought to action, or if we are already having talks with some party," he said. Stora said the production areas in question were for mechanical printing paper and

* * * * *

*44

3.4 3.4 % (2.54)

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Gas Natural sees 13% growth

Gas Natural. Spain's dominant gas distributor, which is partly owned by the government, has forecast annual sales growth of 13 per cent until 2000, the financial daily Expansión reported. Mr Andres Arregul, Gas Natural director, said the company was also interested in investing in the telecommunications sector. He said it planned to participate in next year's privatisation of Spain's second basic telecoms operator, Retevision.

Funds return to Shanghai

A three-year freeze on new listings of mutual funds on the Shanghai Stock Exchange will end this week, in a signal that China is moving ahead with plans to stabilise its securities markets by bringing in more institutional investors. Three funds will be listed on the exchange on

Chinese authorities clamped down on the mutual fund industry in 1993, on fears of irregularities as the number of funds ballooned to more than 70. At the time, the authorities said a lack of adequate regulations for funds could lead to chaos in China's markets.

China's markets remain heavily influenced by individual investors taking speculative, short-term positions, which has contributed to market volatility. Authorities have also indicated that foreign fund managers will in future be allowed to form joint venture funds. If this proceeds, it would enable foreign securities companies to gain exposure to the domestic reserved A-share market for the first time. Sophie Roell, Beijing

Banespa shares suspended

Shares in Banespa, the bank controlled by the Brazilian state of São Paulo, were suspended vesterday following press reports that it made profits of R\$786.3m (US\$762.9m) in the first nine months of the year. Banespa, which is one of the largest retail banks in Brazil, has not reported its results since 1994, when it was put under Central Bank administration after it was in danger of collapsing because of \$18bn of doubtful loans to the state government. The figures were contained in a leaked report from Banespa to the São Paulo state ministry of finance. Both refused to comment yesterday on the report.

The federal government is expected to announce an agreement on the refinancing of São Paulo's debts later this week. Expectations about the deal, which is thought to include a transfer of the controlling stake in Banespa to the federal government, have led to a sharp rise in Banespa's shares in the last week. Geoff Dyer. São Paulo

Go-abead on Alzheimer's drug

Eisai America, the alliance between the US pharmaceuticals group Pfizer and the Japanese company Eisai, has received marketing clearance from the US Food and Drug Administration for ARICEPT, a new drug for the symptomatic treatment of mild to moderate Alzheimer's disease.

Controlled clinical trials in more than 900 patients demonstrated that more than 80 per cent of patients taking ARICEPT either improved or exhibited no further deterioration in tests of cognition over the course of the studies, the companies said. AFX News, New York

the end of January. Once these sales more sharply, by 11.3 per cent to tered the strongest gain, with profit are completed, a sell-off of the annual operating profits rose 25.1 12.7m. Much of the profit increase up 34 per cent at A\$24.1m before smaller regional airports is likely to per cent to A\$160.4m (US\$130.2m). Profit after tax and abnormal was attributed to a record perfor interest. Brisbane saw earnings proceed. Proceeds from the sales are items stood at A\$78.1m, a 14.5 per mance from Sydney airport, which increase 2.5 per cent to A\$44.6m, expected to top A\$2bn.

Australian airports operator climbs 14%

Australia's Federal Airports property and commercial revenues. notched up a pre-interest profit of

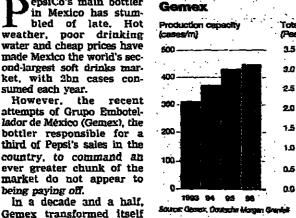
numbers rose 6.6 per cent, while

PepsiCo bottler feels the heat in Mexico PepsiCo's main bottler in Mexico has stumbled of late. Hot weather, poor drinking water and cheap prices have made Mexico the world's sec-

sumed each year. However, the recent attempts of Grupo Embotellador de México (Gemex), the bottler responsible for a third of Pepsi's sales in the country, to command an ever greater chunk of the market do not appear to being paying off.

in a decade and a half, Gemex transformed itself from being a regional bottler in the south of the country to owning the biggest Pepsi franchise outside the US. However, its breakneck after recent problems in expansion has generated large dollar debts - 99 per bottler defected to Cocacent of the 1.57bn peso (\$196.2m) total at the end of bottler was signed up soon September was foreign-de- after i nominated - which soared in peso terms after the 1994 Gemex's aggressive promotion of cans and non-returnand, analysts say, damaged

market has fallen from 26 per cent in 1995 to 22 per cent this year, while Coca-Cola's share has climbed from 51 per cent to 61 per of the deal



Morgan Grenfell estimates. Such a reverse is especially important for PepsiCo Venezuela, where its only

But Gemex matters for other reasons. In 1995, seekdevaluation and which still ing to become more directly affect earnings. Moreover, involved in the Mexican market, Pepsi Cola International bought 25 per cent of able bottles has provoked the company for \$154m, and rifts within the company will take voting control in 2002. For its part, Gemex was designated an anchor Partly as a result, Pepsi's bottler, with the right of first share of the Mexican cola refusal for any Pepsi franchises that came up for sale owned franchises passed

into Gemex's hands as part

Cola. (A new Venezuelan

ously been denied a stake in Gemex after the collapse of the peso, Mr Enrique Molina, Gemex president and chief shareholder, acceded to the pressure from the multinational for a stake. There denominated debts to do oth-

"The financial crisis in time to invest and show confidence in Mexico and Gemex, it was then," said Mr

emex has continued in Mexico. Three Pepsi- in central Mexico this has a formidable level of versummer, and is now deep in tical integration, manufac-

all sizes across the country," said Mr Molina. ers, which now account for were too many dollar- about half of all soft drink

head. If there was ever a over the issue earlier this The switch to non-returnables is central to Mr Mol-Roger Enrico, PepsiCo chief ina's plans to modernise and rationalise the company, since returnable bottles need to be transported, cleaned

But the company is not free from problems. In particular, the switch to nonreturnable drinks containsales, has generated so much controversy that chief financial officer Mr Sergio Mexico brought things to a Robledo left the company

a further franchise costs. The company already

sumers are thought to be less inclined to buy expensive non-returnable bottles. particularly after a savage Analysts argue that the move to more nonreturnable bottles has hurt

the company's results. For

the third quarter this year, Gemex's same franchise soft drink sales volume was just 1.5 per cent up on the third quarter of 1995 - a weak recovery after Mexico's figures since the devaluation have been hurt by the

greater proportion of non-returnables," said Mr Scott Wilkins, an analyst at Deutsche Morgan Grenfell in recovery. Mexico City.

high even after Pepsi's cash injection, which allowed the company to retire about \$100m of debt. At the end of September,

the company's debt-to-equity ratio stood at 43 per cent, half the previous year's 84 per cent, but still high. This year its stock has underperformed the Mexican market by more than 30 per cent. Another concern has been

administrative instability. Gemex recently lost chief operating officer Mr Steve negotiations for another, in turing its own bottles and Lawrence, who was moved Monterrey. "We are refrigerators and huying to Pepsi Cola Mexico in the interest in franchises of cuear from Mr Molina's pri- wake of high-level changes

Lawrence's role in Gemex had been seen as a sign of the multinational's greater involvement. Following his departure, Mr Molina has regained a greater role in Gemex's administration, although he promises a new chief operating officer by mid-December. n spite of its recent trou-

bles, Gemex has hopes of an 8 per cent increase in sales next year, fuelled by the expansion of its new worst recession for 50 years. franchises and growth in "The company's operating other products such as Electropura, the top selling bottled water in the country. Sales may increase even more if Mexico's domestic economy stages a strong

"You cannot assume that Investors have also been they are going to get market worried by Gemex's finan- share back. But you can cial costs, which remain assume that if the economy grows 4 per cent next year, volumes could grow by 10 per cent and operating profits by 20 per cent," said Mr Tim Baker, an analyst at SBC Warburg. But Gemex has suffered

unduly from the Mexican recession and Pensi has suffered with it. And while Mr Molina's drive and aggression served both companies well as he built up his bottler, the past two years have shown that there are pitfalls to such ambition

Daniel Dombey

COMPANIES AND FINANCE: INTERNATIONAL

Broker, banks | UBS moves European operations to London agree merger in Malaysia

By James Kynge in Kuala Lumpur

Two Malaysian banks and the nation's leading stocksain, are to form a new name, will also be the prime financial services power mover in the new entity. He throughout Asia.

The merger, the biggest in the Rashid the history of Malaysia's company. banking industry, represents "At one: a breakthrough for a government campaign to seek consolidation among 37 banks serving a population analyst.

The government has been concerned that even Malaysia's bigger banks could be hard pressed to compete with Asia's large institutions when liberalisation takes hold in the region after 2000. The new company, to be formed through a series of deals over the next six portfolio investors. months, will offer a full range of financial services, him for the first time a say including retail and mer- over a merchant bank and a chant banking, insurance, stockbroking, leasing and unit trust management. The holding company of the new group will be Rashid Hus- and contacts, and the sain, which will hold a 54.17

involved in the tie-up. The first step in the merger, which was signed yesterday, is the purchase main ambitions of the new for M\$2.16bn (US\$855.7m), or M\$8.80 a share, of the 75 per cent of Kwong Yik Bank throughout Asia. The companow owned by Malaysia's ny's stockbroking business biggest bank, Maybank. The purchase will be funded by Rashid Hussain's internal resources, loans and some ing licences where they are M\$800m from the issue of available and where busi-

per cent stake in DCB Hold-

ings, one of the banks

s i late expand

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Section .

Later, Kwong Yik will said. merge with DCB Holdings, which will also take on ment and property assets. DCB will continue to run its insurance, leasing and retail

Mr Rashid Hussain, founder and controlling shareholder in the stockbroking firm. Rashid Hus- broking firm which bears his house which plans to expand and his family will control a stake of about 30 per cent in the Rashid Hussain holding

> "At one stroke he becomes probably the most influential man in Malaysia's financial private sector," said one

The son-in-law of Malaysian-born tycoon Mr Robert throughout Asia, Mr Rashid has built up a reputation for innovation and professionalism in stockbroking. Analysts say the trading actions and recommendations of his brokerage already influence

The new merger will give commercial bank. The merchant bank is likely to benefit from Rashid Hussain's large stockbroking clientele merged commercial bank will expand its branch network from 70 to 135. Analysts say there are clear syn-

Mr Rashid said one of the company would be to expand banking and stockbroking is already in several southeast Asian countries, and there are plans to gain bankness is deemed profitable, he

The Malaysian government, which had a guiding Rashid Hussain's stockbrok- influence in the merger, will ing business, asset manage- retain a significant say in the new entity's business decisions through a stake in Rashid Hussain taken by banking operations. The new Malaysian Resources Corpobank, which is to have total ration, a publishing and assets of M\$32hn, will be the property group with strong second-biggest in Malaysia links to the dominant politiby profits and the third-hige cal party, the United Malays gest by assets, after May- National Organisation.

underlined the growing importance of London by becoming the first Swiss bank to switch the management of all its European operations - apart from Switzerland - to the City of London

By William Half in Zurich

Mr David Robins, 47, who is chief executive of UBS UK, will take over from Mr Felix Zumbach as head of Region Europe. Mr Zumbach, who is based in Zurich, takes over as head of UBS's new Zurich

Union Bank of Switzerland has

sed in London. agement of UBS's non-Swiss European business to London is part of the break-up of UBS's large headquarters in Zurich. By separating the Zurich business from the headquarters, UBS hopes to be able to measure performance.

Mr Mathis Cabiallavetta, UBS chief executive, said yesterday that

growing financial power of the City The decision to switch the man- of London. Mr Cabiallavetta said yesterday he had always felt it was important that Zurich was able to counter London's attractions, but he had now changed his mind.
"Anyone who thinks you can

counter the market is wrong," said Mr Cabiallavetta, who described London's attractions as the size of its markets, the time-zone, language and telecommunications.

had already emerged as the centre for European corporate finance, global fixed income and derivatives and European equities.

Mr Werner Bonadurer, who has taken over Mr Cabiallavetta's responsibilities for trading and is based in Zurich, said yesterday that the move towards a single currency in Europe would strengthen London's position.

He could not see why the arrival

ness. He will step down from the group executive board and be replaced by Mr Robins, who will be "enormous cost block in which don. UBS employs 3,000 people in trather to hit those centres whose there, and before UBS's decision it foreign exchange markets concentration." it rather to hit those centres whose trated on trading European currency cross rates, such as Paris and Frankfurt, and to benefit

He said the integration of the European money markets would ket such as London, which had the greatest liquidity. He pointed out that UBS's foreign exchange trad-

Membership of the AAA club put on the line

Investors and rating agencies are divided on the bank's restructuring

nion Bank of Switzerland's restructuring and SFr3bn (\$2.3bn) special provision for loan risks has raised the prospect that the already tiny club of AAA-rated banks might lose another

Standard and Poor's, one of the two big US credit rat-ing agencies, said it had placed UBS on its watch list for possible downgrading. IBCA, the European rating agency, kept the bank's long-term credit rating at AAA, but lowered its assessment of its internal strength.

Equity investors; on the other hand, took a much more positive view of UBS's moves. Some fund managers go so far as to argue that a AAA rating is incompatible with producing a good return for shareholders, because it requires an excessively strong capital

UBS's Tier 1 capital amounts to 9.7 per cent of its risk-weighted assets on the Basle capital adequacy formula. This compares with 8.6 per cent for its two Swiss rivals, Swiss Bank Corporation and CS Holding, and a European average of 7.7 per

By contrast, its return on equity amounted to just 9.5 per cent after tax in the first half, compared with a European average of 13.8 per

Mr Samuel Theodore of

based agency, acknowledges that the higher the capital base, the harder it becomes

But he says that debt rating agencies, though less focused on profitability than their equity counterparts, do not base their ratings solely on capital. And he quarrels with the suggestion that excess capital is at the root of the Swiss banks' low

"It is not so much to do with the ratings agencies as with the fact that margins in the Swiss banking market have been among the lowest in Europe – even lower than in Germany," he says.

In addition, the Swiss banking commission applied until last year rather higher capital adequacy standards than the Basle norms.

AAA ratings have now become a rarity. All the big UK and US banks moved out of the top rating category in the 1989-93 period. Today, besides banks

which enjoy some form of state guarantee, such as the German Landesbanks, UBS is one of only three banks rated AAA by S&P. Moody's and IBCA. Deutsche Bank is already

under review for possible downgrade by at least one agency. That leaves Rabobank, the Dutch agricultural co-operative bank, with its loyal domestic customer base and very low default



UBS chief executive Mathis Cabiallavetta: restructuring moves well received by investors

In theory, a top credit rat- banks have set up AAA speing should enable a bank to cial purpose subsidiaries borrow in the money markets at a somewhat lower rate than its weaker countervehicle for derivative deals.

But even credit agencies parts. In practice, the differ- The big increase in fundadmit that any advantages ence between AAA and AA+, ing costs does not come until attached to an AAA rating the next notch down, is tiny a bank slips further from AA - although some investment with very strong capital bases to serve as their

to A, since some institutions lay down a rule that they will only deal with banks big cut-off comes between A and BBB.

That leaves cachet as the main reason for wanting to From the equity investor's point of view, however, that is little reward for a low return on investment.

George Graham

Sidor sale draws global interest

By Leslie Crawford in exico City and Raymond Colitt in Caracas

The privatisation of are analysing different ways Venezuela's Siderúrgica del Orinoco (Sidor), the last take part in the privatisation Latin American steel complex to remain in state hands, is attracting keen interest among Mexico's top steel companies, as well as Ispat Mexicana, a privatised groups in Japan and South

private company which controls Altos Hornos de México (Ahmsa), the country's largest but also most-indebted Korea steel producer, will be sending a team of 60 specialists in early December to conduct due diligence at Sidor.

conelomerate, has also sent a team to Venezuela. "We in which we might be able to of Sidor," Mr Enrique Flores, a spokesman for Grupo Alfa,

said. The third contender is steel mill bought by Ispat of India in 1991. The Venezue-Grupo Acerero del Norte, a lan privatisation has also attracted inquiries from Kobe Steel of Japan and Dong Kul Steel Mill of South

Mr Antonio Azpúrua of Venezuela, the state privati-

making subsidiary of Grupo tonnes of steel a year, was Alfa, the Mexican industrial still subject to congressional still subject to congressional approval. Nevertheless, he said interested buyers would be invited to present bids in

> The Venezuelan government has declined to put a price on Sidor, although opposition parties claim the company is worth \$5bn.

In Mexico, Mr Alonso Ancira and Mr Xavier Autrey, founders of Grupo Acerero del Norte, said they were looking for a Venezuelan partner to take part in the privatisation.

The growth of the Mexican steel industry is con-Fondo de Inversiones de strained by its limited iron ore reserves," Mr Ancira sation agency, said the sale said. "It makes sense for us old steel complex si of Sidor, which produces 3m to expand in a country like privatisation in 1991.

Venezuela, which has abun-Mr Ancira and Mr Autrey stressed the acquisition would not burden Ahmsa, their publicly-traded steel company, with more debt a concern which has depressed Ahmsa's stock in

"Any liabilities incurred in a leveraged acquisition will be taken on by Grupo Acerero del Norte, the holding company," Mr Autrey said. Ahmsa, he added, would issue new equity or equityrelated instruments in 1997 to retire part of its \$1.8bn debt - most of which has been used to finance the modernisation of the 50-yearold steel complex since its

recent weeks.

£300,000,000

The Cinven Fund

A fund formed to invest in management buyouts and management buyins in the United Kingdom and Continental Europe, sponsored by

Cinven

The undersigned acted as financial advisor and ed for the private placement of the limited partnership interests.

Merrill Lynch & Co.

November 15, 1996

Buffett criticises KKR over fees

By Tracy Comigan

Warren Buffett, Americas most famous long-term investor, has criticised Kohlberg Kravis Roberts, one of the country's most aggressive buy-out principle, to the size of the

Mr Buffett, a director of Gillette, expressed his opposition to the high level of fees charged by KKR for The meeting described in advising Duracell this week's filing was held International on its sale to on September 12. Gillette, by refusing to vote with the Gillette board to KKR, which has a 34 perapprove the merger unless the fees to be paid by

Commission, Mr Buffett advised the Gillette board that his abstention did not relate to the merger itself, which he favoured, but that he "objected, as a matter of investment banking and advisory fees payable by Duracell, which he believed

The meeting described in According to documents, cent stake in Duracell and four seats on the company's

to be excessive".

According to a filing with Duracell on the sale, and the Securities and Exchange Morgan Stanley will pick up \$10m for providing a fairness opinion. This is substantially more than the \$16m Gillette's advisers. J.P. Morgan and Merrill Lynch, stand to earn on the

KKR's position as both leading shareholder and adviser of the company is musual, and has in the past attracted criticism. As a buy-out fund

attacked recently by large state pension funds such as California's Calpers for the high level of fees charged for board, is due to collect a managing these funds -\$20m fee for advising which include investments

director, Mr Buffett is also a substantial shareholder in Gillette through his bolding company, Berkshire Hathaway, with a stake of just under 11 per cent.

According to the filing, Mr Buffett pointed out that 80 per cent of the Duracell fees would in effect be paid by pre-merger Gillette shareholders. However, the filings stated that he advised the board he intends to vote his shares in favour of the

merger. Gillette for \$7.3bn in stock, its

for top SE position

By Louise Lucas in Hong Kong

Mr Edgar Cheng has been reappointed chairman of the Hong Kong Stock Exchange, following the annual council elections held last Friday.

still seeking a replacement exchange operations, and and Corporation, the Hong Kong D shares in the company for national wireless alliance

ing outside contenders. Mr Yeung Kai-yin, an executive director with Sino Land, one

of Hong Kong's biggest property developers, says he has been approached by headhunters with a view to fill-However, the exchange is ing the top slot. Mr Yeung, a former treafor Mr Paul Chow, the chief sury secretary whose role at executive who submitted his Sino Land is due to end next

resignation in July. Possible month, says he has been internal candidates include approached by headhunters deputy chief executives, Mr. about other jobs, including Alec Tsui, who heads chief executive of the exchange operations, and Mr. Kowloon-Canton Bailway transfer certain series B and

HK seeks candidates | Bell Atlantic to run Grupo Iusacell Bell Atlantic, the US Peralta group's series A

telecommunications com- shares at a premium of \$50m pany, has agreed to assume management control of transfer will not change Bell Grupo lusacell, the Mexican Atlantic's aggregate 42 per cellular carrier, reports AP-DJ from Philadelphia. It will also lend the group \$150m in subordinated convertible debentures and take a majority of the seats on

Grupo Iusacell's board. Under the agreement with the Peralta family, which owns 48 per cent of Grapo Insacell, Bell Atlantic will

cent share of Grupo Insacell. Bell Atlantic invested \$1.04bn in Grupo Iusacell in 1993, but has encountered delays securing a franchise to compete with Mexico's telecommunications monopmit lusacell to align its busi-

to the Peralta group. The

transfer will not change Bell

ness strategies more closely with Bell Atlantic's partnership position in a US

COMPANIES AND FINANCE: UK

Strategy to include move into new energy markets after 1998

Severn Trent plans buy-back

By Jane Martinson

Severn Trent, which was thwarted by the government in its bid for rival utility South West Water, is to spend about £300m (\$507m) for South West Water, which buying back 10 per cent of

The shares dipped lp to 666%p, as the group outlined a strategy which includes unregulated business expan- pre-tax profits rose almost 7 sion and a planned move into the energy markets due to be deregulated in 1998.

Mr Vic Cocker, chief executive, said the group was currently discussing the formation of a strategic alliance with an "energy provider" about using the Birmingham-based group's customer base. He expected the talks to have reached a conclusion by the middle of next year. The group is to make a

back after yesterday's Bud-A 10 per cent buy-back would push gearing to about 35 per cent and interest cover from 9 to about 6 times. The group also

intends to ask for permission

for further buy-backs at its

Amboraey
Amplo Irish Bank # Yr to Sept 30
Bidrikiga Pope \$ Yr to Sept 30
Howetson 6 mits to Sept 30
Jarvis Hotols 28 wiss to Oct 12 #

's Stores ____ 28 wks to Oct 5 w Estates __ 6 mths to Sept 30

next annual meeting.

final decision on the buy-

sidering "small to mediumsized acquisitions", probably in non-core areas.

The group spent £4.5m on advisers for its abortive bid was blocked last month. Pretax profits rose 4 per cent after this charge to £197m (£189m) in the six months to September 30. Underlying per cent to £201.5m.

Group sales rose 5 per cent to £597m (£568.6m) while operating profits rose 3 per cent to £217.6m (£211.9m) after the exceptional cost.

Sales in the core water group increased 4 per cent to £464.4m, while pre-interest profits rose 2 per cent to £210.6m. Operating costs fell an underlying 25 per cent after inflation, chiefly as a result of some 2,000 jobs cuts in the past two years.

Profit before interest from the group's non-regulated business rose 56 per cent before interest payments to £17m. Profits at Biffa, the waste management group, rose 13 per cent to £11.5m. The group spent £182m on

capital investment in the

period ~ a 44 per cent rise.

(0.472) (11.1) (2.74) (3.59) (278.9)

(0.571)

23.21†

4.653 0.5

Earnings shown basic. Dividends shown net, Figures in brackets are for corresponding period. †On increased capital. \$\frac{2}{2}\text{rish currency.} \\ \phi \text{After exceptional charge.} \\ \psi \text{After exceptin charge.} \\ \psi \text{After exceptional charge.} \\ \psi \text

(4.29) (2.55) (4.518)

4 4.3 292.7

3.32 197

(719.1)

21.6

25.88
25.80 to Oct 12 ½ 51.8
26 wiss to Oct 5 76.2
27.7
28 wiss to Sept 30 10.5
27.7
28 mins to Sept 30 127.6
30 mins to Sept 30 127.6
30 mins to Sept 30 597
30 mins to July 31
30 mins to July 31

 Pep
 ______Yr to Sept 30
 141.7
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 2.52

 renore Scuttand
 _____3 mits to Oct 31
 284.5
 (269.3 ♦)
 0.356

 sco Blue Chip
 _____6 mits to Sept 30
 67.6
 (86.5)
 0.588

 e Realisation
 ______5½ wits to Sept 30
 83.8
 (82.5§§)
 0.483



Profits stream: Vic Cocker is considering small to medium-sized acquisitions, probably in non-core areas

Energis on course to break even

By Paul Taylor

Energis, National Grid's fast-growing telecommunications subsidiary, cut its loss before interest, tax and depreciation substantially during the first half, and said it was on course to break even on an Ebitda basis next year.

The company, which has invested about £376m (\$635m) on building a national telecommunica tions network based on 4,100km of fibre optic cables, said the Ebitda loss was cut from £26.2m to £11.1m during the first half. Operating losses fell 24

per cent to £30.3m as firsthalf revenues almost trebled to £43m (£15.7m) over the same period last year. "The combination

strong revenue growth in high-margin services, tight cost control and an excellent current order book means that Energis remains firmly positive before interest, tax and depreciation in 1997-98," said Mr Mike Grabinert, chief executive.

Total last year

"Energis is maintaining strong growth, despite the increasingly competitive nature of the business telecommunications market." Over the past six months

it has announced a number of large new business contracts, with companies such as British Gas, ICL and Associated Newspapers. Its network handles 3m calls a day, compared with

2m six months ago. Energis has also continued to increase its share of the internet service provider than 60 per cent of all the

UK's traffic on the internet.

DM135m German buy executive, said the joint

By Nikki Tait and Tim Burt

The Cleanaway group, a ioint venture between Britain's GKN and Brambles Industries, the Australian materials handling and industrial services company, is buying Mabeg, a German environmental services firm, for DM135m (\$92.4m).

Brambles said the deal should be completed by the end of the year, and came as part of Cleanaway's strategy of building up its European

operations. Earlier this year, Mr John

venture was "actively pursuing" opportunities to expand its presence in continental Europe.

GKN venture makes

Brambles added that Mabeg's waste collection and recycling services were similar to existing Cleanaway operations in the UK, and should be "complementary" to the recently acquired Dutch operations.

GKN, which is also Brambles' partner in the much larger Chep pallet hire business, said the acquisition would be funded equally Fletcher, Brambles' chief from cash reserves at both

Mabeg's annual sales are put at about DM150m, and

it employs about 600 GKN declined to reveal last year's profits at Mabeg, but suggested that its mar-

gins were similar to the double-digit levels which had been achieved at Cleanaway this year. The company is being bought from two German construction companies, Heitkamp and Straberg, and is said to have a strong pres-

ence in the north and west

Restructured Readicut falls at operating level

Losses at three of its businesses held back interim profits at Readicut International, the household textiles, carpeting and yarn company that has been undergoing extensive

The bottom line shows pre-tax profits increasing from £2.77m to £3.32m (\$5.61m) for the six months to September 30. But the previous year included an exceptional charge of £1.24m.

Operating profits from continuing operations excluding an acquisition ~ fell from £4.83m to £3.57m. In July, the group paid £28.8m for Alan Farrow Group, a

profits of £1.18m. However, the deal pushed net borrowings up to £50.9m from £22.3m at the end of March, and the goodwill had problems in moving

the Textiles and Appendincex

shareholders' funds back to £63.2m. Interest paid rose from £820,000 to £1,43m. The group lost £1.3m at its specialist supplier to the new Drake Extrusion facility wallcoverings industry, in the US, which is taking

which contributed operating longer than expected to reach full capacity. Further losses of £1.3m came at Stonehouse Battye, the yarn spinner, which has

NEWS DIGEST

this came on bigger volumes.

activity, and grew 36 per cent to I£1.4bn.

Anglo Irish 26%

ahead to I£24m

Anglo Irish Bank Corporation, the small Dublin-based bank, reported a 26 per cent increase in pre-tax profits to I£24.1m (\$40.7m) for the year to September 30, with higher fee income offsetting lower margins on its loan business. The bank, which has been the subject of bid rumours in

The loan book benefited from Ireland's strong economic

Deposits were up 30 per cent to IS2bn. Despite the increase in the loan book, the provision for bad and

doubtful debts was slightly down from I£6.8m to I£6.6m. The bank's Austrian subsidiary contributed I£1.1m to

Anglo Irlsh, which concentrates on property-backed

acquisition in December of a £69m loan portfolio from Allied Dunbar Assurance. It was also assisted by the

buy-out of Dublin-based Ansbacher Bankers in March. Fee income was up by If4.4m to I£14.1m. This was the result of profits on the sale of a Dublin property acquired after the Ansbacher acquisition in mid March, gilts trading, and trade finance income from provision of

guarantees for Irish meat exporters seeking to enter non-EU markets following the beef crisis in the UK.

Expansion at Royal & Sun

The purchase cost less than A\$20m (\$16.05m).

the major growth sector of the pensions and

superannuation industry in Australia".

with Royal & Sun.

Royal & Sun Alliance, the composite insurer, is expanding its Australian operations with an agreement to buy 60 per cent of Connelly Temple, a specialist pensions business.

The UK group said it was a "strategic" investment which "will enable us to achieve a significant position in

It is buying the stake from the owners of the business,

Rahman Connelly and Bradford Temple, through its

Connelly Temple, based in Wollongong, New South

Wales, has £335m under administration on behalf of 40,000

individuals. The company's desire to lift its involvement

which is one of the reasons that it was keen to link up

British Airways is talking to several companies about the

The sale is part of BA's plan, announced earlier this year, to achieve £1bn of efficiencies over the next three years. Mr Robert Ayling, chief executive, said the airline would consider selling activities which could be run more

Australian life and pensions arm, Sun Alliance Life

in occupational pensions will require extra capital -

BA in talks on disposal

sale of its ground fleet services operation.

John Murray Brown in Dublin

Christopher Brown-Humes

lending, has broadened its presence through the

£700,000 at the fitting busi-

ness of Firth Carpets. Mr Clive Shaw, managing director, said he expected the US facility to be approaching break-even by the year end and Stonehouse Battye to be settled down

The focus would now be on maximising the returns from the heavy capital expenditure programme of the past few years.

Earnings per share were 1.12p compared with a previous 0.91p, or 1.33p excluding exceptionals. The interim dividend is maintained at

Forecasts for the full year have been trimmed from £14m to £13m. The prospective multiple of 10.5 is not unreasonable, but the deepening cynicism is reflected in the yield of over 9 per cent. In the unfriendly textiles sector, the shares need something more to attract write-off of £24.4m knocked from three sites to a single investor interest.

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OF SOUTH AFRICA LIMITED

"A solid performance at the halfway stage augurs well for real growth over the full year."

> Julian Ogilvie Thompson Chairman

HIGHLIGHTS

- Headline earnings for the six months up 22% to R2 443 million, reflecting solid performance from diamonds and coal, and a healthy turnaround from gold
- Interim dividend up 23% to 160 cents per share
 - Net asset value of R69 billion, or R296 per share
 - Headline earnings for the second half year are expected to be similar to the first half

999

Notice of dividend

Dividend No. 121 of 160 cents per slatte has been declared pundle on Friday, 10 January 1997 to shareholders registered at the close of business on Friday, 13 December 1996. The register of mendars will be clearly from Tuesday. 1." December 1996 to Saturday, 21 December 1996 inclusive. The full conditions relating to the decidend may be as period at the Johannesburg and London offices of the

Carpennent and its iransfer some taries

Registered office

44 Main Street

London office 19 Charterhouse Street London ECIN o()P

A Secretaria de Caración de La Laboración de Laboración de

The full interm report will be posted to shareholders on as about 27 November 1996 and is available from Canadidated Share Registrars. 1st Flow, Educa, 41 Fox Stock, Johannesburg 2001

Please note that the interim results will be available on the Internet on http://www.web.co.zo/angloresults

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efficiently by specialist operators.

The ground fleet services operation maintains a fleet of

7,300 vehicles and employs 470 staff at London's Heathrow and Gatwick airports.

BA would not identify the potential buyers but said they were "world class operators". If a sale is concluded, most staff will transfer to the new company.



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I Married Street

128kbps.

be installed.

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It may come

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people are

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question

ence has to do with stan-

dards and with regulators.

In the UK, for example, the

encouraging. The cost,

although currently moder

ate, was likely to increase

to set up the computer con-

INFORMATION TECHNOLOGY



Eagle Eve Louise Kehoe

Perseverance test

It is becoming an exercise in frustration to use the Net at a "civilised" time of day in California

growth in the number of substantially next year, par ticularly in the US. This may run counter to most analysts' expectations, but t seems to me that it is

almost inevitable. The infrastructure of the Internet is now so grossly overloaded that it is becoming an exercise in frustration to use the Net at a "civilised" time of day here in

I do not subscribe to the "sky is falling" scenarios of internet collapse, but a deterioration in service is painfully obvious. There are just too many users and not enough bandwidth to go

Those of us who depend on the internet for electronic mail and information resources will hardly give it up. But I wonder how many newcomers to the Internet will persevere? And how many companies will be forced to switch to private networks to ensure reliable service?

I would like to be proved wrong. Perhaps telephone companies will accelerate their efforts to shore up overburdened networks. This seems unlikely, however, unless they can find ways to draw higher reve-. nues from Internet users. In the US, where most phones have free local calling, the situation is particularly

Internet service providers, most of which are losing money as they compete for new users, will fight of how much attempts by the phone companies to extract higher net-

work access charges. But in the end, somebody has to pay for the multihillion dollar costs of upgrading the infrastructure of the Internet. It may come down to a question of how much people are prepared to pay for a reliable internet service. That will surely put at least a tempo-

predict that the rate of rary damper on growth, telephone networks use only one type of digital switching system. In contrast there are half a dozen Getting into the "fast lane" in the US. The US user must on the Internet is proving more difficult than I had configure an ISDN connection according to the type of expected. My efforts to switches used by various move beyond a 28.8kbps local and long distance tele-(thousand bits per second) phone companies.

modem began with a call to For once, European Inter-net users may have the the local telephone company. I requested installaadvantage. Ironically, this is tion of a digital ISDN line in large part due to the legacy of standards created by which, in theory, should long-time telecommunicaprovide access at up to tions monopolies that are The response was not, now being broken down.

substantially, the Pacific Bell representative warned. end with ISDN, but recent I would need technical help announcements of 56kbps modems by manufacturers nection, she added ... and such as US Robotics, Hayes would probably have to wait and Rockwell raised new several weeks for the line to hopes. This would, at least, be a step in the right direction, I thought.

Undaunted, I asked a computer technician to quote But my inquiries opened another can of worms. I me a price for setting up an learned that there is, as yet, ISDN connection. He offered to bring his sleeping bag, because the job could take no official standard for 56kbps modems and leading "anything from a couple of manufacturers bave lined up in two camps with differ-ing, incompatible technolo-In Europe, I am told, ISDN is quite straightfor-

I talked to Dennis Haves. ward to install. The differchairman and founder of Hayes Microcomputer Prodncts, whose name has long been synonymous with modem standards. He advised that until a standard is established, users need to check with their ISPs to find out which type, or types, of 56kbps modem they support.

I was beginning to suspect a "VHS versus Betamax" situation in which those who bet on the losing standard could be left high and dry. Hayes predicted, however, that when the official standard is resolved it will probably incorporate elements of both approaches. His company will offer users inexpensive upgrades if this happens, he

Wouldn't buyers be wise to wait until there is an official standard for 56kbps? That depends upon how urgently you need to increase Internet access speed, said Hayes. In the meantime, the only safe option seems to be a modem. is hardly a great leap for-

Why, oh why, does the computer industry hold mammoth trade shows? Comdex in Las Vegas last week, was a disaster. The event attracted more than 210,000 people - at least 50,000 more than the city could comfort ably accommodate.

According to the organis

ers, some 10,000 new products were introduced at Comdex. But I defy you to find any visitor who saw more than a small fraction of these products. Even finding a company's booth and navigating through the crowds was a challenge - to say nothing of the lack of transport, parking, telephones and other essential

My advice to would-be participants in next year's Comdex stay at home. In these days of "virtual" online meeting places, there showcase new products. If your real purpose is to find out what the competition is up to this too can often be accomplished online or at smaller, more specialised

Share your IT predictions for 1997 in the Eagle Eye discussion group on ft.com (www.ft.com). Will the Internet collapse? Will Netscape prevail? Will electronic commerce finally happen?

Louise Kehoe:

Comdex Review · Paul Taylor

Future at your fingertips

Microsoft has launched a system for the handheld PCs market

icrosoft's mighty marketing machine swung into action again at last week's autumn Comdex show in Las Vegas to launch Windows CE - a new computer operating system aimed at the emerging market for handheld porta ble PCs.

CE - which apparently stands for "consumer electronics" rather than "customer enthusiasm" – boasts a Windows 95-style interface and cut-down versions of Microsoft's top-selling desktop applications, Word and Excel, as well as features designed to enable handheld devices to work in close conjunction with desktop machines.

Windows CE has been developed under the code name Pegasus over the past four years by a dedicated team on the Microsoft campus, and is the group's first operating system since the introduction of MS-Dos in 1980 to be slimmer than one of its existing products.

Its long-awaited and carefully choreographed eve-of-Comdex arrival was marked by the launch of a handful of new machines from Casio Computer, Hitachi and NEC of Japan, Hewlett-Packard and Compaq Computer of the US (the Compaq machine is built by Casio), LG Electronics of Korea and Philips Consumer Products, which is re-entering the PC market with a stylish handheld machine called the Velo.

While CE's debut grabbed the headlines, Microsoft also formally launched the latest version of its best-selling Office Strite. Office 97 represents a significant upgrade over its predecessor and is the first Microsoft office product to use the Web browser interface. It also



net appliances and personal

Comdex organisers.

with the Internet – however

called Outlook which brings together basic personal information-management functions such as diaries, contact managers and to-do lists with centralised messaging features such as electronic mail and fax facilities. But if Microsoft and Bill

Gates. Microsoft's chairman. dominated the Comdex product announcements, it was Andy Grove, Intel's chief executive, whose address on the first morning of the show set the tone for Comdex 97. Grove took the opportunity to review the astonishing progress made over the first 25 years of the microchip and predicted that the revolution will con-

Intel, which will launch a new generation of multimedia-enhanced MMX Pentium processors early next year, predicts that over the next 15 years microchips will be built with 1bn transistors operating at 10GHz - four times the frequency of a microwave oven - and capable of achieving 100,000 Mips

● The FT's review of Information Technology appears on the list

Wednesday of each month

(millions of instructions per described itself as "the second). "The challenges that face us in delivering on this tech-Internet-related exhibitors at nology are to make our Comdex doubled from 290 in 1995 to 550 this year, hardly microprocessors faster. smaller and cheaper," said surprising since predictions Grove. The Intel chief also for Internet-generated reveadded that the PC industry nues and products are soarfaces "a battle for the eyeing. For example, Forrester balls" of a new generation if Research recently predicted

it is to continue to grow at that revenues generated between 14 per cent and 17 from \$14bn this year to per cent a year, a rate which he said was necessary if the \$200bn by 2000. \$10bn (£6bn) it costs to build According to the Forrester a new semiconductor fab report, titled "the Fourth (fabrication plant) is to be Channel". Internet hardware, software and service More generally Condex confirmed that what looked will account for revenues of \$29bn in 2000 compared with like a battleground taking \$4bn now, and financial services such as online securishape a year ago between network computers or interties trading and banking will

resolving itself into an just \$240m this year. uneasy coexistence. "As the The biggest segment, how Internet continues to accelever, is expected to be busierate the transition to ness-to-business electronic commerce which is projected network-centric computing. the power of the desktop will to become a \$66bn market by increasingly come from the the end of the decade. Howpower of the public network ever, as the Comdex organisthe Internet - and corporate networks - intranets based on Internet stanways to make money on the dards," noted Softbank, the Internet by providing content and doing electronic The industry's enthusiasm

"This year companies are for everything connected looking to save money by flimsily - was reflected in adopting Internet standards the number of Comdex for their intranets and exhibitors brandishing Inter-'extranets' - internal and net tags. One un-interruptexternal customer-orientated

FINANCIAL HMES

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VENTURE FORUM EUROPE '96 Please reserve one place at the early rate of £846.00 (£720.00 plus VAT at 17.5%) To qualify for this cute, payment must be received by 10 October 1996 Please note that as the conference is being held in the UK, all registrants are liable to pay Value Added Tax. A VAT receipt will be sent on payment of the registration for. AND ASSIGNATION OF WORKS ("NARODNE NOVINE" NO. 25/96, 26/96 AND 32/96) ANNOUNCES

PUBLIC COMPETITION

FOR THE COLLECTION OF OFFERS FOR THE CONTINUATION OF WORKS ON THE 1ST PHASE OF BUILDING "VELIKI STUDIJI" (BIG STUDIOS) OF HRT IN ZAGREB, PRISAVLJE 3.

1. Subject

- Earth Works
- Concrete and Reinforced Concrete Works
- Construction (Masonry) Works
- Insulation Works
- Works on Underground Installations Aluminium Facade and Weather Stripping
- Works Steel Construction Works
- Lightning Rod Installations and Earthing
- 2. Bids will be based upon the documentation for work assignation.
- The Investor makes possible the offering of only single types of works, and reserves the right of
- partial contracting. The interested bidders will be able to pick up the list of expenditures and documentation for work assignation after the payment of DEM 3,000.- to
- our bank account No. 30101-620-16-25000-3226247 in Zagrebacka Banka, Zagreb. The list of expenditures and work assignation documentation will be at bidder's disposal in Hrvatska Radio-Televizija, Construction and object maintenance department, Prisavlje 3, Zagreb, on a

telephone announcement (Tel: 616-36-03). Building site inspection and project documentation inspection will also be available at the mentioned address.

working day from 9 am till 2 pm with a preceding

- The right to bid have all the companies which are registered for the performing of works from the subject of public competition.
- The bid should contain:
- Name and address of the bidder
- The proof of registration for the type of works required in the subject of the public competition Total price of works and filled certified original
- lists of expenditures Works performance deadline and warranty deadline for the performed works
- The list of already performed similar works with
- The terms of payment for works and the way of settlement (no down payment is foreseen)
- The way of contractual commitment insurance, that is, the extent and type of warranty
- Documents on business management success The declaration that the bidder is informed about the preceding works

- Labour, material and mechanisation price list
- Factor and percentage of handling costs for possible subsequent works
- Contract realisation timing graphic review Payment timing
- The list of subcontractors according to types
- of work A proposition of contract with offered price (according to single list of expenditure paragraphs and in total)
- The way of quality testing and quality
- Validity of the offer/not earlier than 15.02.97.
- 8. Criteria for determination of the best bid: General suitability of the bidder
- Price and terms of payment
- Work deadlines The steadiness of prices
- Credit possibility and terms of credit
- Other convenient terms. 9. The deadline for submitting of the bids is 16th December 1996, till 2 pm in a sealed envelope to the address:

Hrvatska Radiotelevizija. Rjtehnika. Odjel Izgradnja ! Odrzavanje Objekata, 10000 Zagreb, Prisavlje 3, with designation "Ponuda Za Izgradnju Velikih Studija HRT - Ne Otvarati" (Bid for building of Big

Studios of HRT - Do not open). Late offers will 10. The public opening of the bids will take place on 18th December 1996 at noon, on the premises of Hrvatska Radiotelevizija. Dept. of Construction

- and Object Maintenance, Prisavije 3. 11. All the bidders will be notified about the public competition outcome, not later than 15 days after
- 12. Hrvatska Radiotelevizija reserves the right to accept or refuse any bld, cancel the competition and reject all bids at all times before the signing of a contract and according to this will not bear any expenses in connection with the participation of the bidders in the competition, or bear any responsibility toward the rejected bidders, and will not be under any obligation to explain the reasons of its decision.

Croatian Radio-Television Commercial Dept. Export Import Dept., Zagreb, Prisavlje 3,

to IE2In

Irish 26

INTERNATIONAL CAPITAL MARKETS

Gilts traders unconvinced by UK Budget

GOVERNMENT BONDS By Richard Adams and Samer Iskandar in London and Lisa Bransten in New York

UK gilt market participants were unconvinced by yesterday's Budget and projections for the UK economy. Gilt and price inflation.

that the inflation target [of 21/2 per cent in 1997] will be met", said Mr Andrew Roberts, a gilt analyst at UBS in London.

December long gilt future settled & lower at 1114, in heavy trading. The March contract also fell by ₺ on the day, settling at 110%.

Initially, gilts rose Me Joanne Collins, a in London, agreed that the fiscal tightening but In late morning trading in strongly on the news that senior economist at Nomura chancellor had relied heavily thought the inflation predic. New York, the long bond projected to fall to £19bn.

tract rose to a high of 111#. she said. But it fell back, and contintrading, going below 111. In the cash market, the prices fell slightly, despite benchmark 10-year gilt was

"The market is sceptical bonds with longer maturities Mr Kevin Adams, gilt analyst at BZW in London, said he was unconvinced by the

In trading on Liffe, the the present level of inflation was temporary, or by the Treasury's forecast of 2.5 per cent retail price inflation (excluding the cost of housing) for next year.

"The big feature for next ued to fall in after-hours year", Mr Adams said, "is cal "You've got to wonder man bund futures rose 0.21 rising short [interest] rates before and after the election. The majority [of expected optimistic forecasts of down 1, closing at 1001. Its rate rises are likely to come declining public spending yield rose one basis point to after the election, which will difficult position."

"The more important fac-

Mr Philip Shaw, chief economist at Union Discount budget as "a medium-term yesterday.

the public sector borrowing in London, concurred. "It on measures to reduce tax requirement for 1997 was [the target] seems a bit avoidance and boost the ambitious, in view of the exchequer by £6.7bn over the The December futures con- forecast for GDP growth", next three years. "Seeing is believing," he said.

Mr Adams was also sceptihow effective his tax loophole plans are," he said. In the short term, however, analysts remain bull-

ish. Gilts remain a "mild 7.44 per cent. Yields on place the gilt market in a buy", said Mr Shaw, prices of bunds and US Treaalthough he added that he did not see a gilt rally lasttor is whether the economy's ing. Mr Roberts, at UBS. after-hours trading. strong growth means that agreed: "From a technical likely policy responses will point of view, there is still chancellor's explanation that not be enough." scope for a rally, because a about to spark faster eco-the present level of inflation He also said the economy's lot of cash that was being nomic growth, sent US Trea-

New international bond issues

tions for 1997 were optimistic. "If next month's RPI figure is strong, then they could be forced to raise rates once again," he said.

Elsewhere in Europe, Gerto settle at 101.37 on Liffe, not far from the all-time contract high of 101.48.

Italian government bond futures followed a late fall in suries, settling down 0.08 at 128.00 and falling to 127.80 in

A strong dollar, and signs that consumers are not problems were more likely to held back will ultimately sury prices higher, pushing emerge in the first quarter of find its way into the the yield on the benchmark 30-year Treasury down Mr Shaw characterised the below 6.4 per cent early

thought the inflation predic- New York, the long bond was % stronger at 101를 to yield 6.389 per cent, while at the short end the two-year note was up 1 at 994, yielding 5.625 per cent. The December 30-year bond future gained 計 to 115些.

Bonds started the session higher as the dollar climbed against the D-Mark and the yen in Asian and European trading, and then at midday received a boost from a relatively weak reading of consumer confidence.

Although the consumer confidence figure was in line with expectations, investors were cheered by a sharp drop in consumers' expectations about future conditions, said Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York.

CAPITAL MARKETS NEWS DIGEST

Russia, France in Tsarist bond deal

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7.13

1.00

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STATE COLUMN SPEZIES

CH MONEY HATEM

Russia yesterday signed an agreement to pay France \$400m (around FFr2bn) over the next several years in "definitive settlement" of claims by French investors in Tsarist bonds issued before the 1917 Bolshevik revolution. The agreement came in a memorandum of understanding signed by Mr Jean Arthuis, French finance minister, and Mr Oleg Davydov, Russia's deputy prime minister for external financial affairs, at a summit in Paris.

About 4m Tsarist bonds held by some 400,000 individuals with a nominal value of around FFr15bn are estimated still to be in circulation. Mr Alain Juppé, French prime minister, said he had asked Mr Jean-Claude Paye, former head of the Organisation for Economic Co-operation and Development, to recommend how the \$400m should be used to compensate the Tsarist

He recognised that the compensation "would be below the expectations" of the bondholders, but believed this was "the best deal" Paris could get to settle the 80-year old dispute. Mr Viktor Chernomyrdin, Russian prime minister, discounted the possibility that the deal might be opposed in the Russian parliament, stressing Russia "has David Buchan, Paris to pay its debts".

JGB futures for CBOT

The Chicago Board of Trade is close to signing an agreement with the Tokyo Stock Exchange that would allow the Chicago market to trade Japanese Government Bond futures on its trading floor during US business hours. The agreement, which has been approved by the CBOT's board of directors, would give the exchange

exposure to the active Asian markets.

The CBOT is the US centre for trading listed derivatives on US Treasury instruments, and in March will open an open outcry link with the London International Financial Futures Exchange to offer German bund futures in the US during Chicago business hours. Laurie Morse, Chicago

Pearson debt under review

Standard & Poor's and Moody's, the US credit rating agencies, yesterday announced reviews, with negative implications, of the ratings on Pearson's long-term senior debt, which is rated A+ by S&P and A1 by Moody's. The reviews were prompted by Pearson's announcement that it intends to acquire, through its Penguin division, the US-based publisher Putnam Berkley, for \$336m in cash. About \$628m of debt is affected, Moody's said.

"The CreditWatch reflects the negative financial impact of the proposed transaction," S&P said. Moody's said it was concerned "that Pearson will continue to pursue a debt-financed expansion strategy". S&P reaffirmed Pearson's short-term rating at A1, the highest grade on its scale, saying "the proposed acquisition will enhance Pearson's already strong position in book publishing". Moody's, however, said it might downgrade its Prime-1 Samer Iskandar, London short-term rating.

- Low coupon yield - Medium coupon yield - High coupon yield - Nov 28 Nov 25 Yr. ago Nov 28 Nov 25 Yr. ago Nov 28 Nov 25 Yr. ago

7.10 7.81

--- Inflation 10% ---Nov 26 Nov 25 Yr. ago

7.17 7.80 7.64

UK Indices

7.22 7.57 7.58

Sainsbury targets \$200m fixed-rate deal at Europe

INTERNATIONAL BONDS

By Conner Middelmann in London and Raymond Colitt in Caracas

The dollar sector of the eurobond market saw some new supply yesterday ahead of the likely lull surrounding Thursday's Thanksgiving holiday in the US.

supermarket group, issued \$200m of five-year bonds, rate note issue it had pulled priced to yield 32 basis points over Treasuries. The deal was targeted largely at ble interest in CIC, a netretail and institutional accounts in continental French government was Europe, where it saw good looking to privatise. CIC is demand, lead manager Deut- now no longer up for sale.

sche Morgan Grenfell said. western European corporate deals in the fixed-rate dollar larger than planned, saw sector this year, so this is an good demand from continenextremely scarce product," a tal European institutions accounts.

WORLD BOND PRICES

Plea to Filiation Years
Treas 79-2001 ±5
Treas 94-pc 2002
Treas 94-pc 2002
Treas 10pc 2003
Treas 110pc 2003
Treas 110pc 2004
Treas 110pc 2004
Treas 120pc 2004
Treas 64-pc 2004
Treas 64-pc 2005
Treas 74-pc 2006
Treas 74-pc 2006
Treas 74-pc 2006
Treas 74-pc 2006

7.04 7.09 9913 6.74 7.24 (1112 7.70 7.23 1074 6.76 7.29 114.2 9.82 7.11 1131 4.18 6.09 84.3 6.49 7.31 96454 6.49 7.31 112 9.78 7.32 117 7.53 7.38 107.3 7.44 107.3

BENCHMARK GOVERNMENT BONDS

were being targeted at the reinvestment flows from the spread on the bid price widened slightly to 34 basis points during the session.

Banque Nationale de oliday in the US. Paris, meanwhile, J. Sainsbury, the UK relaunched the subordimeanwhile, employees during December. nated, structured floatingearlier in the month following press reports of its possiwork of mutualist banks the

According to lead manager "There have only been 12 CS First Boston, the issue, which at \$200m was \$50m

syndicate official said. More-over, he added, the bonds well as Asian accounts. Late in the day, the World Bank launched a \$1bn offer-\$10.4bn in fixed-rate dollar ing of unlisted bonds due paper set to mature in March 2000, targeted at Japa-December. Nonetheless, the nese retail investors. Lead manager Yamaichi International said the issue would tap into the pool of year-end bonuses paid to Japanese

> The lira sector was busy too, enlivened by the Italian government bond market's bullish reaction to the country's re-entry on Monday into the European exchange rate mechanism.

Deutsche increased its outstanding 30-year zero-coupon bond by L1.000bn - the fourth increase of this issue, which now totals L5,000bn - and lead DMG reported strong sales to Italian retail

BUIND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

	Amount	Coupon	Price	Meturity	Fees	Spread	Book-russer
Borrower		%			. %	bp	
WINDOWS .	F416	Sec.				water to	CLXE BEST ACCOUNT
World Bark(i)+	1bn	5.15#	99.11	Mar 2000	0.20	-	Yamalchi Inti(Europe)
Boga Nationale de Paris(e);	200	(a1)	99.59A	undatad	0.625R		CS First Boston
J Sainstury(a)	200	6.25	99.688R			+32(5%Nov01)	Deutsche Morgan Grenfell
inter-American Dev Benk#	180	5.50#	100.00	Dec 2000			IBJ Inti/New Japan Secs
Banco Bansud	100	9.254	99.641R			+365(5%-99)	ABN Amro Houre Govett
Olso International(b) •	62.50	3.50	100.00	Dec 2000	2.25	-	Full Inti/Yamakini Inti
IN DEMANDED OF STREET	1	4	graph files		. 3.5		
SBC, Jersey Branch	400	6.25	98.97R	Dec 2006		+60(614Apr08)	SBC Warburg
Oest Investitions/gedit	300	5.00	102.28	Jan 2002			Bayerische Landesbank
一种	然 经了	Sec.					
World Bank(c)★	10bn	6.70	100,125	Dec 1997	0.125	-	Tokyo-Mitsubishi inti
ADDAY GOT TOTAL	er sa	<i>\$\$</i> 7.~	-2 E		39 4	POWER !	
Deutsche Finance Nethe(d)	1000bn	Zero	unded	Oct 2026	undisci	-	Deutsche Morgan Grenfell
KfW International Finance(e)	350bn	7.25	101.50	Jan 2007	2.00	-	BCI/BNL
YPF	300pa	8.75	99.70R		0.60R	+209(814%-01)	Chase Manhattan Inti
M LOCAROUNC TRAICS			en i i±t ni				
GenFinance Luxembourg	Sbn	(f)	102.45	Dec 2005	2.00	-	Banque Generale du Lux
E Diopel Hoopes				3.00			
LB Rheinland-Pfalz(s)	400	(g)	101.65	Dec 2003	1.875	-	Kredietbank Inti Group
Final terms, non-callable unless equity warrents. ‡ Floating-rate from Dec 06 at per. a1) 3-min.	note, #S	ani-annut	d coupon.	R: fixed re	-offer pri	ce; fees shown	at re-offer level, a) Cellable

sion the on at per all 3-man Look +027sop to Dec Us, then 4212sop, by heaton't \$10,000 +2 wits to NOF Corp. Flating: 4/ 1296, FX; 112,007%, of Pedeemed in NZs. of Flatighte with (L4,000h., e) incurious £100bh increase at 101.55%, i) 4% to 30/12/39, then 6% to 30/12/02, then 8%, g) 5¼% to 29/12/00, then 8%, i) Long 1st coupon. at Short 1st coupon.

KfW Finance also tapped Venezuelan cellular telecom- the issue would be placed increased to L350bn. Argentina is thought to be planning a L500bn 10-year issue as early as next week.

the sector with L250bn of munications company, is before the year-end. 10-year bonds, later seeking to place a \$70m-\$80m ● Kazakhstan is considering eurobond issue in coming doubling the size of its

Mr Oswaldo Cisneros, Telcel president, gave no details Elsewhere, Telcel, the of the deal but said he hoped Reuter reports.

1 Up to 5 years (21)

Up to a years (18) 5-15 years (18) Over 15 years (8) Irredeemables (6)

Up to 5 years (2)

FTSE Actuaries Govt. Securities

121,23

151.00 171.54 193.83

Tue Day's Mon Nov 26 change % Nov 25

121,17

150,91 171,52 193,88

0.04 0.06 0.01 0.08 0.04

planned eurobond to \$200m, prime minister Mr Akezhan Kazhegeldin said yesterday,

2.32

3.30 4.72 1.07

8.90 5 yrs 9.84 15 yrs 9.83 20 yrs 13.47 kred.†

Up to 5 yrs Over 5 yrs

7.11 7.63

~- Indiation 5% ---Nov 26 Nov 25 Yr. ago

7.10

7.76 7.82 7.80

7.18

7.60 7.64

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Austria		07/06	99.8700	+0.200			5.97	10050	0.45			96 0,5			2.01 2.33
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Germany Bund			103.2200	+0.110			6.05		Life 200			617) FQ1	URES		
ireland			109.4500	+0.400			6.96	(20,12)					 _		
Italy Japan No 140			113.0500 121.8771	+0.310 3			8.21 1.72		Open	Sett price	s Change	High	LOW	Est. vol	Open Int.
No 182			103,1686	+0.490			2.83	Dec	128.35	128.00	-0.08	128.65	127.80	81796	80322
Netherlands			119.6900	+0.250			5.95	Mar	127.70	127.06	-0.06	127.70	126.89	15832	21483
Portugal	9.500		116.4200	+0.190		07 1	7.69	E ITALIAN	GOVT. BOY	O STP) R	OTURES OF	TICKS (LIFE	∓ Ura200π	1 0000 s of 1	100%
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UK Galta		12/06	100-14	-2/32			7.55	12700	2	.18	2.94		2.12	2	2.83
		10/08	111-13	-3/32			7.67	12750		.93	270		2.37	3	3.19
US Treasury	6.500	10/06	102-31	+7/32	6.10 6.	17	8.59	12800	1	.70	2.48		2.64		3.47
		11/26	101-11	+8/32			8.89	Est. vol. tot	avi, Caudas 860	95 Puts 441	7. Previous	day's open	int., Chilis 7	79511 Puta	49006
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London closing, 'New Yo					is: Local ma	river st	roro.	Spain							
† Gross (including with) Prices: US, UK in 32nds,			и сани раучи		Bourge: MM/4	S Inter	nation and	E NOTIO	NAL, SPAI	(ISH BON	אטדטיא מ	ES (MEFF)			
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		 -						Dec Mer	111.45 110.88	111.35 110.78	+0.12 +0.16	111.77 111.15	111.25 110.82	77,72 7 786	66,161 4.836
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France															
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Jun 126.50	126.78	+0.28	126.62		62	6,	675	Mar	-	94.96	+0.24	-	-	-	445
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129 0.01			1.13	-	4.64	٠.		Jun	114-24	114-22	+0-03	114-24	114-22	159	10,373
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Open Dec 101.22	Sett price 101.37	Change +0.21	High 101,48	Low 101-20	Est. vol 135939	Ope 210	ri int. 2095	MOTION (LIFFE)	Y100m 10 Open 125.29	Ottes of 1	00%	High 125.36	125.17	Est. vol 3606	n/a
Ореп	Sett price	Change	High	Low	Est vol	Ope 210	n Int.	MOTION (LIFFE) Dec.	Y100m 10 Open 125.29 124.47	Oths of 1	Change	High 125.36 124.54	125.17 124.36	Est. vol 3606 1040	-
Open Dec 101.22	Sett price 101.37	Change +0.21	High 101,48	Low 101-20	Est. vol 135939	Ope 210	ri int. 2095	MOTION (LIFFE)	Y100m 10 Open 125.29 124.47	Oths of 1	Change	High 125.36 124.54	125.17 124.36	Est. vol 3606 1040	n/a
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Open Dec 101.22 Mar 100.27	Sett price 101.37 100.41	Change +0.21	High 101,48	Low 101-20	Est. vol 135939	Ope 210	ri int. 2095	MOTION (LIFFE) Dec.	Y100m 10 Open 125.29 124.47	Oths of 1	Change	High 125.36 124.54	125.17 124.36	Est. vol 3606 1040	n/a
Open Dec 101.22 Mar 100.27	Sett price 101.37 100.41	Change +0.21	High 101,48 100,50	Low 101.20 100.26	Est. vol 135939	Ope 210	ri int. 2095	MOTION (LIFFE) Dec. Mar	Y100m 10 Open 125,29 124,47 req also trac	Close Close	Change	High 125.36 124.54	125.17 124.36	Est. vol 3606 1040	n/a
Open Dec 101.22 Mar 100.27 UK GILTS P	Sett price 101.37 100.41 FIICES	Change +0.21 +0.20	High 101,48 100.50	Low 101.20 100.26	Est. vol 135939	Ope 210	n Int. 2095 376	Dec. Mar LEFE Autu	Y100m 10 Open 125.29 124.47 res also trac	Close Close Close	Change	High 125.36 124.64 nerest 8gs.	125.17 124.36 are for pre	Est. vol 3606 1040 wious day.	n/a n/a
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Open Dec 101.22 May 100.27 UK GSLTS P Notes Shorts* (Lives up to Five Year	Sett price 101.37 100.41 FICES	Change +0.21 +0.20	High 101,48 100,50	Low 101-20 100-26	Est. voi 135939 16344	Ope 21(48 Notes	n Int. 2095 376	Dec. Mar LEFE Autu	Y100m 10 Open 125.29 124.47 res also trac	Close	Change	High 125:36 124:54 nterest Sgs.	125.17 124.36 are for pre-	Est. vol 3606 1040 Mous day.	n/a n/a 52 week High Low
Open Dec 101.22 Mor 100.27 UK GILTS P Notes Shorter (Lives up to Flor Yn Tress 13/apc 19972‡	Sett price 101.37 100.41 FICES Visit Red in Red	Change +0.21 +0.20 Price E +	101,48 100,50 100,50	Low 101-20 100-26 100-26	Est. vol 135939 16344 7 lapt 2006;	Ope 21(48 Notes	71 lnt. 2095 376	Dec Mar total State Stat	Y100m 10 Open 125.29 124.47 res also trac	Close	Change	High 125.36 124.54 Interest Sgs.	125, 17 124, 36 are for pre-	Est. vol 3606 1040 Mous day.	n/a n/a 52 week High Low
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Open Dec 101.22 Mor 100.27 UK GILTS P Notes Shorts** (Lives up to Five Yes Tress 13-lest 19972# Dech 10-yes 1997 Tress 8-lest 19972# Dech 10-yes 1997 Tress 8-lest 19972# Dech 19-yes 1999 Tress 7-lest 1999 Tress 19-yes 1999	Sett price 101.37 100.41 100.41 101.27 100.41 101.27 101.0 1	Change +0.21 +0.20 Price E + 101 & 100 is 100 is 107 is 100 is 10	101.48 100.50 07- 円の 1012 1013 1013 1013 1013 1013 1013 1013	101-20 100-26 100-26 100-2 100	Ent. vol 135939 18344 7 Lpc 2006; 8 Bbc 2007; 8 Lpc 2007; 8 Bbc 2009; 8 Bbc 2009; 8 Bbc 2009; 8 Bbc 2009;	Notes	7.60 7.60 7.60 7.60 7.60 7.60 7.60 7.74 7.05	MOTION (LIFFE) Dec. Mar - LIFFE hatu Red Price E + 743 10112 7.30 1212 7.30 1212 7.50 11115 7.55 1023 7.59 1885	Y100m 16 Open 125,47 124,47 194 450 224 	Ciose	Change Change All Open i All Open i Change Change	High 125-36 124-54 Ideas (124-54 Ideas (124-54 Ideas (125-3 125-3 Ideas (125-3 125-3 Ideas (125-3 Ideas (125	125.17 124.36 ero for pre 11 (2) Pric 13 2.28 1 99 3.18 1 33 3.27 1 89 3.28 1 10 3.4 1 10 3.4 1 10 3.5 1 10 3.5 1 11 3.5 1 11 3.5 1	Est. vol 3608 1040 1040 1040 1040 1040 1040 1040 10	144, 1114, 1116, 1129, 1
Open Dec 101.22 Mor 100.27 100.27 11K GILTS P Notes Shorts** (Alves up to Flore Ye Tress 13 Auto 1997;‡‡ Dech 10/yer 1997 Tress 8 Auto 1997;‡‡ Dech 10/yer 1997 Tress 8 Auto 1997;‡‡ Dech 10/yer 1999 Tress 10/yer 1999	Sett price 101.37 100.41 121.07 ES 110.41 121.07 ES 110.40 E.46 E.58 E.46 E.59 E.47 E.59 E.47 E.59 E.48 E.59 E.49 E.59 E.59 E.59 E.59 E.59 E.59 E.59 E.5	Change +0.21 +0.20 +0.20 1014 1003 1003 1003 1004 1004 1004 100	# Hagh 101.48 100.50 6 - Hagh - 1073 - 1073 - 1073 - 1083 - 1081 - 1081	101.20 100.26 100.26 100.2 Jess 1	Est. vol 135939 16344 7 lags 2006-5 8 lbs 2007-5 5 lbs 2007 5 5 lbs 2007 8 lb	Notes	7.60 7.60 7.60 7.60 7.60 7.60 7.60 7.74 7.05	MOTION (LIFFE) Dec. Mar - LIFFE hatu Red Price E + 743 10112 7.30 1212 7.30 1212 7.50 11115 7.55 1023 7.59 1885	Y100m 16 Open 125,47 124,47 194 450 224 	Close	Change Change	High 125,36 124,54 124,54 124,54 100 (135,5) 0, (135,5) 0, (135,5) 0, (135,6) 2, (135,6) 2, (135,6) 2, (135,6) 3, (135,1)	125.17 124.36 are for pre- 11	Est. vol. 3606 1040 1040 1040 1040 1040 1040 1040 1	144, 1114, 1114, 1114, 1114, 1114, 1114, 1114, 1115, 1154, 1
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CURRENCIES AND MONEY

UK Budget gives mild boost to sterling

MARKETS REPORT

as Mr Kenneth Clarke, the that a future single Euro-chancellor, cut spending and pean currency should not be revised public sector borrowing forecasts downwards. higher rates". Sterling has

DM2.557, and at \$1.673 against the dollar.

The dollar gained on most fronts in thin trading, as other currencies were hit by domestic factors. The

"D-Mark and French franc restructuring The Swiss cur-suffered from statements by rency closed in London at Mr Paul Marchelli, member SFr1.295 to the dollar and of the Bank of France's mon- SFr0.847 to the D-Mark.

pean currency should not be

The Swiss franc touched a soared since August largely 21-month low against the Mr Clarke's speech hardly on market expectations of dollar on worries over the surprised currency analysis. interest rate rises. Swiss banking sector, as The pound closed in Lon- Union Bank of Switzerland

J Post	nd in New Yo	ork
Nev 25	лілуў	Prev. close
£ spot	1,6740	4.6685
1 200	1.6730	1.6676
3 m(b)	1.6662	1.6650
1 yr	1.6559	1.8500

The UK Budget speech had a mixed impact on sterling yesterday. The pound gained sharply against the D-Mark, but closed unchanged against the dollar.

Sterling touched new 32-month peaks against the month peaks against the peaks against the D-Mark was month peaks against the greatle that a future single Euro
SF0.847 to the D-Mark. The dollar closed Y0.3 higher against the yen at Y112.8, as traders awaited today's Japanese tankan survey of business confidence. The yen slipped on market worries over bad debts in Japan's financial system.

The lira softened to back politicians the yen at Y112.8, as traders awaited today's Japanese tankan survey of business confidence. The yen slipped on market worries over bad debts in Japan's financial system.

Japan's financial system.

The lira softened slightly
on its second day back in the pean currency should not be European exchange rate too strong against the dollar.

The franc, also hurt by the lower against the D-Mark at But the pound fell when he French truckers' blockade, 1992.2 It rejoined the ERM said fiscal policy was tight in fell from FFr3.384 to FFr3.382 at a central parity rate of order to reduce the risk of against the D-Mark.

Lego on Sunday.

interest rate rises.

Swiss banking sector, as the onset tax tax.

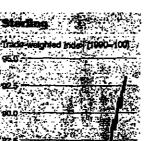
The pound closed in London Bank of Switzerland spending cuts, and reaffermed confidence in the UK are pricing in a base rate hike of at least 25 basis

economy.

Mr Jeremy Hawkins, chief points next month.

But Mr Clarke suggested he was keen not to raise The Budget was financially sound. But it won't prevent speculation that it's fust a he'll do his best to keep rates

Are pricing in a hase rate and the was fall and the was tended and the was to the suggested he was keen not to raise the was keen not to raise the was financially sound. But it won't prevent comments may intimate that the lift of his best to keep rates



matter of time before inter-

appeared to have a message

speculation that it's just a he'll do his best to keep rates

on bold at the December 11 The market has lost lots monetary meeting." Yet ster- money trying to dislod ling futures responded only these currencies from the mildly, and still price in a extremely narrow range. December hike.

shook the French franc yes-terday. After all, he is the operations. first member of the Bank of France's monetary policy council to attack the bank's policies in public And Mr franc's equilibrium ra Valery Giscard d'Estaing, the former French president, touch below its current ma again called for a franc ket rate, at FF13.43. depreciation, this time against the dollar.

currency strategists believe est rates go up." the franc fort policy will However, the Chancellor change. The debate of recent the franc fort policy will days has barely shifted the for the market in short ster- franc against the D-Mark.

most banks, heads of fore exchange are appalled at t Mr Marchelli briefly low profitability of th

> Little will change, co rency strategists say. Go man Sachs believes t

Mr Steven England international economist But neither traders nor Smith Barney in Paris. "In purchasing power par with the D-Mark for t years."

> a devaluation were unlike to enter government, said. The best bet is the this debate is going to pas

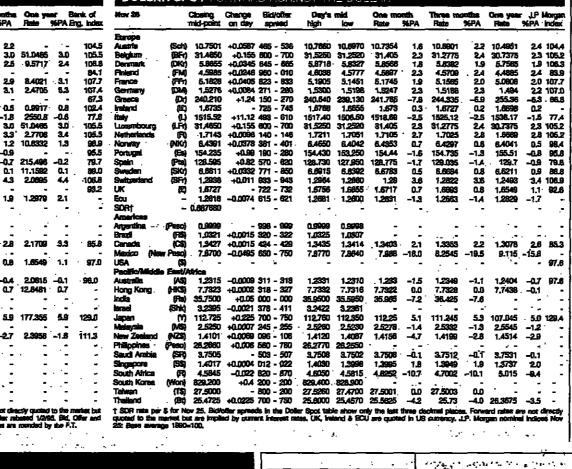
update, ring FT Cityline +44 990 209909

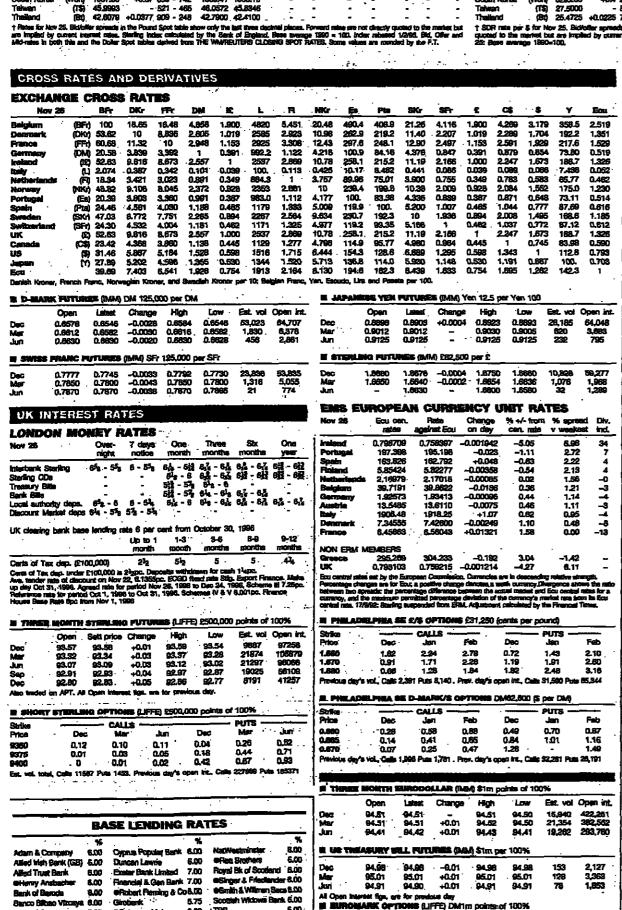
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:	Mar Jun	95.85 95.84	95.85 95.84	+0.01				
-	Sep	95,74	95.76	+0.00				3151
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Nov 26		Closing mid-point	Change on day	Bidfolier • spread	Dey's high	Mid low	One ro Rada	onth %PA	There is	nouthe %PA	One y	%PA	Barok (Eng. In
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	(Sch)			703 - 929		17.8854	17.9381	29	17.8616	22	-	· -	10
Belglum	· (BFI)			074 - 558				. 29	52,2415	3.0	51.0485		10
Denmerk	(OK)			066 - 158			9.7912	24	9.7507	2.6	9.5717	2.4	10
inland	(FM)			854 - 984		7.6490	-	-		-	-		
TENCO .	(FFI)			·658 - 727		8.5988	8.6486	29	8.6069	2.9	8.4021		10
demany .	(DM)			538 - 588		2.5897	2.5486	8.1	2.5353	3.1	2,4705	8.3	19
àreace	Pr			579 - 020						· -	-		- (
reland	, 6E			986 - 004		0.9981	0.9992	- 0.4	0.9982	0.5	0.9917		10
andy '	[4]			327 - 674				-1:6	2546.3	-1.8	2550.8		7
Danodimecan	(LFt)			074 - 558			52,5065	2.9	52.2415	3.0	51,0485		. 14
letherizacje	FI			662 - 689		2,8500	2.8598	3.3	2.8443	3.3	2,7708		10
orway	(NK)			658 - 756		10.7030		1,4	10.7382	1.2	10.8332		
ortuga	(68)			837 - 141		258,479		-0.0	258.564	-0.9			
pain .	(Ptu)			995 - 207		213,760		-0.9	215,496	-0.7	215,496		7
weden	(SKI)			654 - 853			11,1742	0.1	11.1715	0.1	17.1592		. !
witzertand	(SF ₁)		+0.0164	627 - 658	2.1678	2,1485	2.1562	45	2,141	4.3	2.0895	4.4	-10
nK .	(2)			-	-	· · · -		-	-	-	•	-	
CU	-	1.3257	+0.0077	249 - 264	1.3277	1.3193	1.3238	1.8	1.3194	1,9	1.2970	21	
DR†	-	1.157070	-		-	-	٠.	-	-	-	-	-	
merices							••						
rgentina.	(Pasc)			719 - 730		1.6653		٠-	-	-	. •	•	
raed .	(PS)			257 - 271	1,7286	1.7185	` -	• •		-			
anade	(CS)			448 - 469		2,2348	22407	28	2.2299	· 2.8	2.1709	9.3	. 1
	r Pesc)			519 - 765	13.2121	13.1431	-	•	•		-		
SA .	(5)		-	722 - 732	1.6756	1.6655	1.6717	0.7	1,6893	. 0.8	1.6549	1.1	. 8
acific/Middle									,				
ustralia	(AS)	2.0599	-0.0018	586 - GL1	2,0706	2.0538	2.0812	-0.8	2.0619	-0.4	2.0615	-0.1	- 91
long Kong	(PHCS)		+0.0003	291 - 384	12.9557	12,8783	12.9265	0,7	12.9126	0.7	12.8481	· 0.7	
vole ·	(Re)	59.7991	+0.0636	303 - 679	60,0700	59,5280		•	•	•	-	-	
rael -	(SH)	5.4188	-0.0036	142 - 230	5.4240	5,3992		-			-	•	
apan	· M	188.555	+0,376	457 - 653	188.920	187,420	187-825	- 59	185,77	· 5.9	177.355	5.9	125
lalaygia	(21.6)	4.2236	+0.0013	215 - 257	4.2308	4.2047	_	-	-	-		-	
ew Zeeland	(NZS)	2.3588	+0.0118	572 - 603	2.3805	2.3447	2.3655	-3.4	2.375	-2.7	2,3958	-1.5	111
hilippines.	(Peso)	43.9352	. +0.01	053 - 650	43,9653	43.8948	-			·	-	-	
aucii Arabia) (SFI)			713 - 757	6.2840	6.2486	· -	: -	• 4			· -	
Engapore	issi	2.3447	+0.0008	491 - 462	2.3469	2.9342		_	100		_		
outh Africa	· (R)	. =		B20 - 750	7.7050	7.8489	_	•	•		-		
outh Korsa	(Won)			89 - 742	1389.41	1385.18	_	٠	_	_		-	
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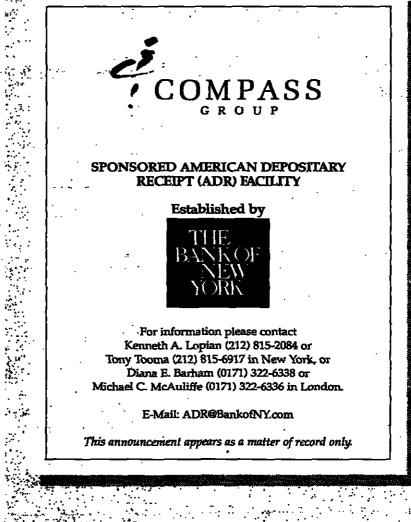
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Julian Hidge Bank 6.00
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Loyde Bank 8.00
Nictignd Bank 8.00
Michael Credit Corp 8.25





The Financial Times plans to publish a Survey on

Tax Efficient Savings and Investments

on Saturday, December 7

● Signithary of Budget tax measures ● Non-taxable Investments ● Tax planning ● Self- a

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THE ROYAL BANK OF CANADA U.S. \$350,000,000 Floating Rate

Mar

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U.S. \$4.833333 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of Interest for the period commencing 31st December, 1996 will be ned on 27th Decem

Principal Paying Agent

COMMODITIES AND AGRICULTURE

Regulators to develop rules on large positions

By Deborah Hargreeves

Regulators from around the world have agreed to develop rules that would allow them to identify large exposures in commodity kets. "These measures may futures and over-the-counter

The agreement announced after a meeting in London yesterday, comes in the wake of the Sumitomo trading scandal where Mr Yasuo Hamanaka ran up losses of \$2.6bn in the copper market.

Regulators from 17 countries, including China, Korea and Malaysia, attended the meeting, organised by the IIK Securities and Investments Board in conjunction with the US Commodity Futures Trading Commission and Japan's Ministry of Trade and Industry.

Ms Brooksley Born, CFTC chairperson, said the consensus reached at the meeting would "enhance worldwide regulation". Ms Born had previously warned that commodity markets were open to manipulation.

Concerns about the vul-nerability of commodity futures markets to manipulation have led the regulators to agree to exchange information on large positions in the markets.

"That information may be necessary . . . when strong concerns exist about potential abusive conduct; or when corrective actions or sanctions may be war-

wake of the Sumitomo affair. Many respondents to its ket have called for more markets have co-operated information to be available more closely. The communiabout traders building up large positions on the exchange and the OTC

Yesterday's communiqué said regulators should develop measures giving them access to information about large positions held in the cash and the OTC maralso involve information on deliveries," It said.

However, this could see regulators extending their jurisdiction by seeking access to information about the largely unregulated OTC market where much business is conducted.

The supervisors also agreed to step up measures for detecting and preventing abusive conduct and to clarify the types of intervention and sanctions authorised under relevant laws, rules and procedures.

Many of the participants at the meeting were representing countries that are considering setting up new commodity futures exchanges. They agreed to draft new contracts with the aim of reducing their susceptibility to market abuses.

The regulators set up two working parties to report back in the next year prior to another meeting in Japan. One will address issues arising from contract design and the second will look at market surveillance and information-sharing.

Sir Andrew Large, SIB chairman, said: "Supervisors have a responsibility to respond to the significant increases in activity in interranted," a communiqué said. national commodity deriva-The SIB is currently con- tives, which in turn arise ducting a review of the Lon- from liberalisation of interdon Metal Exchange in the national trade and markets."

This was the first meeting of commodity regulators, stionnaire about the mar-although authorities in other qué recognised the substantial progress made by other groups in market supervision and co-operation.

Shortage promises zinc a bright future

wo zinc producers top the list of investments in Mercury Asset Trust. Cominco of Canada accounts for 4.8 per cent of the funds invested and Pasminco of Australia for 4.2 per cent.

Mr Graham Birch, WMT investment manager, says the outlook for zinc is bright and these two companies are likely to gain more than most as producers begin to reap the benefits. He is not the only one bull-

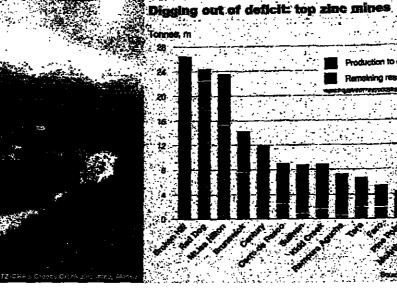
ish about zinc. Other analysts suggest the zinc market is likely to suffer from a growing supply deficit, and this is bound to drive up prices on the London Metal Exchange, where it is the third most heavily traded

Zinc's main markets are in

steel from corrosion, zinc

alloys for casting, and as an element in brasses. Other markets include the use of zinc sheet for roofing and cladding buildings and the use of zinc oxide in tyres. Galvanising now accounts for nearly half of zinc consumption, driven up by

increased use of galvanised steel by the automotive industry and by the construction industry for such



units, ventilation ducts and shuttering. Both the motor deficit for several years in coatings to protect iron and and construction industries 1995 - by about 320,000 are cyclical and that is tonnes. For, while consumpreflected in the zinc market. tion has been buoyant, there Demand has been racing was a 9 per cent drop in zinc ahead in recent years. Conmine production between sumption grew by 5.5 per cent in 1994 and by another 7 1992 and 1994 as miners reacted to low prices. per cent last year. It is small economist at RTZ-CRA, the wonder, then, that demand has been pausing for breath

Anglo-Australian group, suggests further supply deficits are probable both this year this year when the average rate of annual growth in the and next. "If consumption

has been held back by a shortage of concentrate, an intermediate material, from the mines, he points out. However, "this year's mine output will approach the

Production of refined zinc

1992 peak and soar above it in 1997. The latest concern is not so much the availability of concentrates but of smelter capacity. Several smelters are, however, expanding and new projects are on the stocks," says Mr says there has been "a very pronounced change in zinc market sentiment" in the past month. This is because there was

a big seller in the market but the selling has dried up. Mr Arnold suggests the selling was related to the liquidation of a speculative position built up by Asturiana de Zinc of Spain in recent years. This position was handed over earlier this year to Glencore, the Switzerlandbased trading group, to liquidate. Asturiana announced recently that the position had been liquidated.

Mr Arnold says the selling overshadowed steadily improving market fundamentals for zinc, "with stocks falling and concentrate supplies remaining fairly tight. Last, but not least, the market seems to be attracting a bit more com-modity fund buying these days, which is helping both

prices and sentiment". Merrill is looking for zinc prices to average 51 cents a pound (\$1,125 a tonne) next year. Mr Arnold says: "We don't buy the super bull argument for 60 cents a pound next year, although we could approach that sort

Kenneth Gooding

desire for self sufficiency.

spending produces results.

Under the baseline sce-

nario set out in the research,

grain output is expected to

reach 410m tonnes by 2000, well below Chinese official

projections of 455m tonnes.

China in the 21st Century

The authors warn, though,

copper continues to rise

MARKETS REPORT By Kenneth Gooding

Price of

As the copper price on the London Metal Exchange yesterday rose to its highest level since the Sumitomo scandal erupted five months ago, speculators who had bet on a fall in the price were paying substantial premiums to roll forward their "short" positions.

The cost of rolling forward a position for one day rose to \$20 a tonne. The cost for a week went to \$27, while the premium for copper for immediate delivery compared with three-month metal jumped to \$245 from \$170 on Monday.

Traders suggested the tightness was likely to worsen, particularly on December 16 and 17 - just ahead of the third Wednesday in the month, when options activity is at a peak. Three-month copper reached \$2,285 a tonne at one stage

The London Clearing House on Monday doubled the requirement for trading the cash/three months spread margin to \$3,750 a contract (\$150 a tonne), a move analysts suggested was designed to head off speculative activity in

Gold's price at the afternoon "fix" in London fell to \$373.50 a troy ounce, \$1.90 that China will need to down from Monday and its implement investment stratlowest since January 9, egies to boost production "in 1995, following substantial the near future" because of sales in New York on Monthe long time lag before day as books were balanced ahead of Thanksgiving.

(As at Thursday's tonnes	ciose)	
Aluminium Aluminium siloy Copper Lead Nicket	-7,475 -320 -3,850 -25 +330	to 962,000 to 75,280 to 90,050 to 116,375 to 45,744
l:-	0.444	- E20 0E0

144 1590

past 10 years was a more of level in 1998." marks time this year it Looking at the short-term In spite of the jump in conshould rise by some 3 per prospects, Mr Ted Arnold, things as air conditioning sumption, the western world cent in 1997," he says. China grain imports to stabilise, says

Mr Phillip Crowson, chief

By Peter Montagnon,

Asia Editor

China's grain imports are likely to jump to around 40m tonnes annually by 2000 from just 3m at the start of the decade, but will stabilise at around 43m from 2010, according to research published by the Organisation for Economic Co-operation

and Development. The projections, by a team of Chinese and US economists, run counter to earlier predictions that a more affluent China would become a massive grain late 1980s. After 2000, grain the baseline scenario.

prices sharply.

Last year, Mr Lester Thurow of the Washington-based World-Watch group shocked grain dealers with a forecast that China would import 216m tonnes by 2030. The the Chinese Academy of OECD paper says China will become a significant Mr Scott Rozelle of Stanford importer but "will not empty" world grain markets.

Higher imports will reflect rising demand for feed grain and meat, as well as a slowdown in supply due to reduced investment in agricultural research during the

increasing urbanisation reduces demand and population growth slows.

But the authors - Mr Justin Lin of the University of Beijing, Mr Huang Jikun of Agricultural Sciences and University - note their forecast is subject to wide variations depending on popula-

tion and income growth. With high income growth total grain demand would reach 647m tonnes by 2020. compared with 594m under an impediment to imports,

importer, pushing up world imports will stabilise as Equally, with high investment in research and irrigation, China could lift output to 627m tonnes, against 552m

under the baseline scenario. The research suggests that China itself might limit grain imports, especially if these began to affect world prices severely. Not only would that be an incentive to raise domestic production. but there might be foreign exchange constraints on

large grain imports. Poor port and transport infrastructure may also be

while China's leaders have

Publications Service, OECD, 2 rue André-Pascal, 75775

Paris Cedex 16.

JOTTER PAD The year in which the Guinea was last minted The game of Skill, Judgement and Nerve (Scread 10 years) hone 07000 782080

BASE METALS LONDON METAL EXCHANGE

COMMODITIES PRICES

AM Utticial	1499-500	1525.5-26
Kerb close		1534-35
Open int.	243,342	
Total daily turnover	56,673	
E ALUMINIUM AU	LOY (5 per to	rine)
Close	1350-60	1380-85
Previous	1325-30	1355-57
High/low		1385/1363
AM Official	1332-37	1362-63
Kerb close		1375-80
Open int.	6,212	
Total daily turnover	1,128	
ME LEAD (\$ per tons	ne)	
Close	708-9	714-5
Previous	697-96	704-05
High/low	708,5	718/709
AM Official	708.5-9	713-4
Kerb close		714-5
Open int.	39,717	
Total daily turnover	9,821	
MINICKEL (\$ per to	ome)	
Close	6980-90	7070-75
Previous	6845-55	6940-45
High/low	6850	7090/6970
AM Official	6925-30	7010-15
Kerb close		7050-60
Open int.	46,927	
Total daily turnover	14,140	
TIN (\$ per tonne)	<u> </u>	
Close	6140-50	6145-60
Previous	6110-15	6115-20
High/low		8180/6120
AM Official	6140-45	6140-45
Kerb close	44.000	61 6 0-65
Open ast	14 078	

	<u> </u>				
Close	6140-50	6145-60			
Previous	6110-15	6115-20			
High/low		8180/6120			
AM Official	6140-45	6140-45			
Kerb close		6160-65			
Open att.	14,976				
Total daily turnover	4,900				
ZRIC, special high grade (5 per tonne)					
Close	1063-64	1086-87			
Previous	1057-58	1081-82			
High/low		1090/1082			
AM Official	1058.5-59.5	1082-82,5			
Kerb close		1064-84.5			
Open int.	84.50 5				
Total daily turnover	15.802				
E COPPER, grade	A (S per tonn	re)			

2515-20

2271-73

Previous	2361-66	2195-96
High/low	2490/2485	2285/2220
AM Official	2485-90	2255-60
Kert) close		2258-59
Open int.	169,735	
Total daily turnover	103,624	
III, LIME AM Officia LIME Closing St		
Spot 1,5734 3 rate: 1,570)1 6 miles: 1.8848	1,0997
THE WORLD COARS	ODDED ICOM	eno

		Day's change	High	Lenv	Yol	Open jat
Dec					7,450	
.aa	107.15	+2.55	108.20	106.50	183	4,189
Feb			106.20			
Mar	1D4.10	+2,15	104 90	102.00	5,662	23,650
Aur	102.10	+140	-	-	26	675
May	100.10	+1.30	100.60	99.50	172	3,971
Total					14,877	62,764

PRECIOUS METALS (Prices supplied by N M Rothschilld) 373,80-374,20 374.30-374.70

374.50 373 50 Morning fix 223.67 Day's High 374,70-375,10 Day's Low 373,30-373,70 Previous close 374.80-375.20

2.66 2.65 3 months Silver Pix 476,10 285.55 481.90 303.05 499,70 £ equiv. 225-228 \$ price 376-378 378.60-381.05 88-91

Precious Metals continued E GOLD COMEX (100 Troy oz.; S/troy oz.) 374.7 +0.2 374.9 373.2 33,389 35,610 376.8 +0.6 377.0 375.2 34,614 73,412 376.8 +0.5 379.0 377.3 3,566 16,975 381.0 +0.5 381.4 379.6 1,312 13,730 383.3 +0.5 - 51 5,430 365.7 +0.5 - 3 2,112

+0.7 382.9 381.5 4,496 17,634 +0.8 385.0 383.5 228 8,397 +0.8 389.0 388.5 2 992 +0.8 391.0 397.0 2 209 992 209 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 115.75 -0.30 118.50 115.25 1.963 2.357 -0.30 117.75 116.50 1,155 5,449 -0.30 119.50 119.50 3 247 +0.20 - - 6 16 3,121 8,064 SILVER COMEX (5,000 Troy 02.; Canta/troy 02.)

-0.6 474.0 469.0 23,806 18,528 -0.3 -26 -0.3 481.0 476.0 20.501 47,980 -0.4 485.0 480.0 477 7413 -0.4 490.5 485.0 923 7,001 -0.4 482.0 490.0 41 3,132 45.038 89.417 **ENERGY**

E CRUDE OIL NYMEX (1,000 berrels. \$/barrel) 23 16 +0.11 22.33 22.92 11,820 43,808 22.73 +0.10 22.90 22.55 3,945 26,021 22.30 +0.10 22.45 22.10 1,643 19,568 21.90 +0.10 21.98 21.78 1,052 14,831 21,50 +0.10 21 60 21.30 2,829 28,266

CRUDE OIL IPE (\$/barrel) M HEATING OIL HYNEX (42,000 US galls; c-US galls) Launt Day's Gpen.
price change High Low Vol int
71.65 -0.58 72.70 71.25 21,026 18,780 71,20 -0.26 72.10 70.50 13,563 44,356 69,10 -0.13 69,80 69,65 3,041 19,292 65,70 +0.17 66,20 64,75 1,148 11,354 61.95 +0.52 62.20 61.00 704 7,898 59.30 +0.77 59.30 58.50 232 3,805 40,306.123,188

GAS OLL IPE (\$/formé) -2.00 218.00 215.50 8,422 21,678 -2.00 215.50 213.00 4,144 28,145 -2.00 208.25 205.50 514 10,428 4,144 28,145 514 10,428 207.25 -2.00 208.25 205.50 514 10,428 199.00 -1.75 199.25 198.00 200 7.234 190.25 -1.75 190.75 189.00 176 5.236 184.75 -1.50 185.50 184.25 388 2.826

3,090 +0.044 3,140 3,050 5,508 20,577 1,582 13,180 733 7,767 368 6,382 302 5,132 2.345 +0.020 2.380 2.325 2.255 +0.020 2.270 2.245 # UNLEADED GASOLINE NYMEX (42,000 US galls.; cAUS galls.)

68.35 +0.36 68.90 67 50 16.536 14.006 65.05 +0.28 65.35 64.50 9.951 25.517 64.15 +0.06 64.40 64.00 2,701 10,577 \$4.10 +0.08 54.15 53.85 53.90 +0.18 63.90 63.70 63.30 -790 5,837 126 3,673

GRAINS AND OIL SEEDS ■ WHEAT LIFFE (£ per torne)

413.00 -2.75 420.00 406.50 4,717 7,596 390.50 -1.75 395.50 385.50 11,950 29,839 365.75 +0.75 386.50 383.50 1,037 4,063 342.75 -0.75 344.50 341.50 2,103 14,489 348.00 +1.00 348.50 345.50 19 385 358.00 -2.00 361.00 355.00 1827 86.83 MAIZE CBT (\$,000 bu mint, cents/56th bushel)

273.25 -1.50 274.75 272.00 28,132 62,207 274.25 -0.50 275.00 272.25 40,948119,258 277.50 -1.25 279.00 276.00 6.539 47,650 280.75 -0.25 281.00 279.00 5.490 43,714 273.00 -2.00 275.00 273.00 511 5.385 271.75 -1.50 273.00 288.75 2,464 32,784 # BARLEY LIFFE (E per tonne) 93.00 -0.50 93.70 93.00 94.00 -0.50 - -95.50 -0.50 - -179 60 ~

713.00 +5.00 713.50 705.75 31,984 88,237 710.00 +325 710.50 704.00 7.510 \$5,408 706.25 +12.57 707.00 701.50 3.515 19.832 707.75 +1.75 706.00 702.50 4,401 17.883 707.75 +1.75 706.00 702.50 4,401 17.883 704.00 +0.75 704.00 702.50 7.6 332 887.75 +0.75 887.75 682.50 76 332 * SOYABEAN OIL CET (50,000) ibs: certs/to)

23.31 - 23.38 23.23 8.330 18,883 23.50 +0.03 23.67 23.51 5.224 23,430 23.95 - 23.89 23.86 4,807 24,865 24.21 +0.07 24.23 24.09 1,129 12,186 24.45 +0.10 24.50 24.28 574 6,813 24.42 +0.07 24.45 24.40 4 1,589 20,211 80,850 SOYAREAN MEAL CET (100 tons; \$/ton) +0.5 207.7 236.0 8,510 20,356 +1.0 228.1 227.1 6,247 22,677 +0.4 223.7 227.5 2,765 21,284 +0.1 218.5 218.0 1,274 10,921 +0.1 218.5 217.4 738 7,590 -0.3 218.0 216.8 52 2,075 28,446 88,146 POTATOES LIFFE (E/tonne)

-1 --23 1415 -13 1365 -10 1390 -11 1180 -15 -1434 1350 1370 1265 Class Pros 1434 144

There was good demand this week reports the Tea Brokers association. Landed better Bouoling assems soid well at last levels but plainter types were again easier. East Africans continued fully firm to dearer particu-

E COCOA LIFTE (E/ton 42 2,140 165 2,105 - 318 - 2 45 642

887 3,362 8,092 924 4,888 48,807 943 436 15,118 963 33 12,276 978 175 7,232 996 54 5,546 1355 26 419 1393 2,176 41,511 1414 385 9,850 1435 100 7,460 1453 13 6,570 1371 1417 1434 1452 1467 COCOA (ICCO) (SDR's/tonne) Press. day 1023.99 ■ COFFEE LIFFE (\$/torne 84,445 312,971

SOFTS

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FUTURES DATA

cans continued fully firm to dearer particularly for coloury descriptions. Offshore there was good competition at firm to often dearer rates. Cuotations: Landed: 9est available 137p/kg. Good: 128p/kg. Good medium: 120p/kg. Medium: 112p/kg. Low medium: 90p nom. The highest price resised this week was 137p/kg for a Sri Lonke.

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES Reuters (Base: 18/9/31 = 100) Nov 25 Nov 22 month ago year ago 1873.5 1863.1 1870.2 2177.8 CRS Futures (Base: 1967 = 100) Nov 22 Nov 21 moeth ago yeer age 243.31 244.19 IE GSCI Spot (Bess: 1970 = 100)

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000/bg; cents/fbs)

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59.050 +0.375 59.100 58.200 3,857 11,198 77.500 +0.750 77.700 76.590 2,587 11,175 73.150 +1.100 73.200 71.975 616 4,660 75.850 +0.725 75.950 74.900 284 4,373 72.975 +0.950 73.000 72.400 50 1,341 69.725 +0.725 69.950 68.850 23 FORK BELLIES CME (40,000lbs: cents/lbs)

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76.450 +0.825 76.730 75.300 59
76.975 -0.025 76.975 75.500 28
73.225 - 73.225 72.500 2

LONDON TRADED OPTIONS Strike price \$ tenne -- Cells -- -- Puts --1500 2300 . 2350 . Mar 88 123 163 E COFFEE LIFE COCCA LIFFE May

LONDON SPOT MARKETS EL CRUDE Of FOB (per barrel) \$20.91-0.94w \$22.76-2.78 **\$22.69-2.7**1

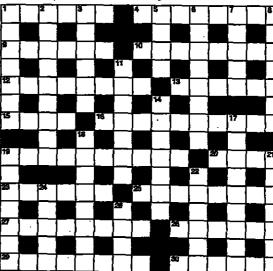
OL PRODUCTS \$218-220 \$119-121 \$224-226 \$247-249 \$234-246 NATURAL GAS (Pencartherm) 20.50-1.00

OTHER Gold (per troy oz) Silver (per troy oz) \$374.00 474.50c Platinum (per troy of Pallacilum (per troy -3.25 -1.75 \$378.50 112.0c 45,00c +2.0 end (US prod.) Tin (Kuala Lumpur) Tin (New York) 15.02 284.50 Cattle (five weight) Sheep (five weight) Pigs (five weight)† 112.12p 137.22p 95.32p Lon. day suger (raw) Lon. day sugar (wte) Bartey (Eng. feed) Malze (US No3 Yellow) \$264.70 \$309.50 Unq 127.0 Wheat (US Dark North) Rubber (Jan)♥ Rubber (Feb)♥ 70.75c 79,75p 321.5z

Coconut Oil (Phill)S Palm Oil (Malay.)S Copra (Phill)S Soyabeans (US) Cotton Outbook A' Index 557.50 Wockops (64s Super)

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CROSSWORD No.9,236 Set by DANTE



Small gate with a keeper in attendance (6) 4 Friendly note in a message 9 He's stupid in trying to

open it without a key (6) eacemaking counsel is put at risk (8) 12 So my acer tree has had to be transplanted (8) 13 Drunkenly chants a fragment of song (6) Bar banter (4)

19 Memoranda about a stock of unsold books (10) 20 Love to knock back drink after work (4)

get into a row (6)
25 Sikes's pet sweetmeat (5-8) 27 Common title for Satan? (8) 28 An even chance the mata-dor will try to avoid (42) 29 Firm rule about the French salad (8)

30 Person who stoops to alcoholic excess? (6) DOWN 1 Family house in Berkshire

2 It comes from Mecca, this religious instruction (9)

3 Game in the form of a puzzie (6) Where the workers may strike to make less money?

6 When cutting, it drives round the links (5-3) 7 His beliefs His beliefs remain unchanged by a large part

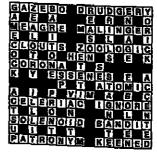
of the bible (5) 8 Had tree replaced, safe from lightning (7) 11 Quaker's companions? (7) 14 The rest of the foot in the cavalry (7)
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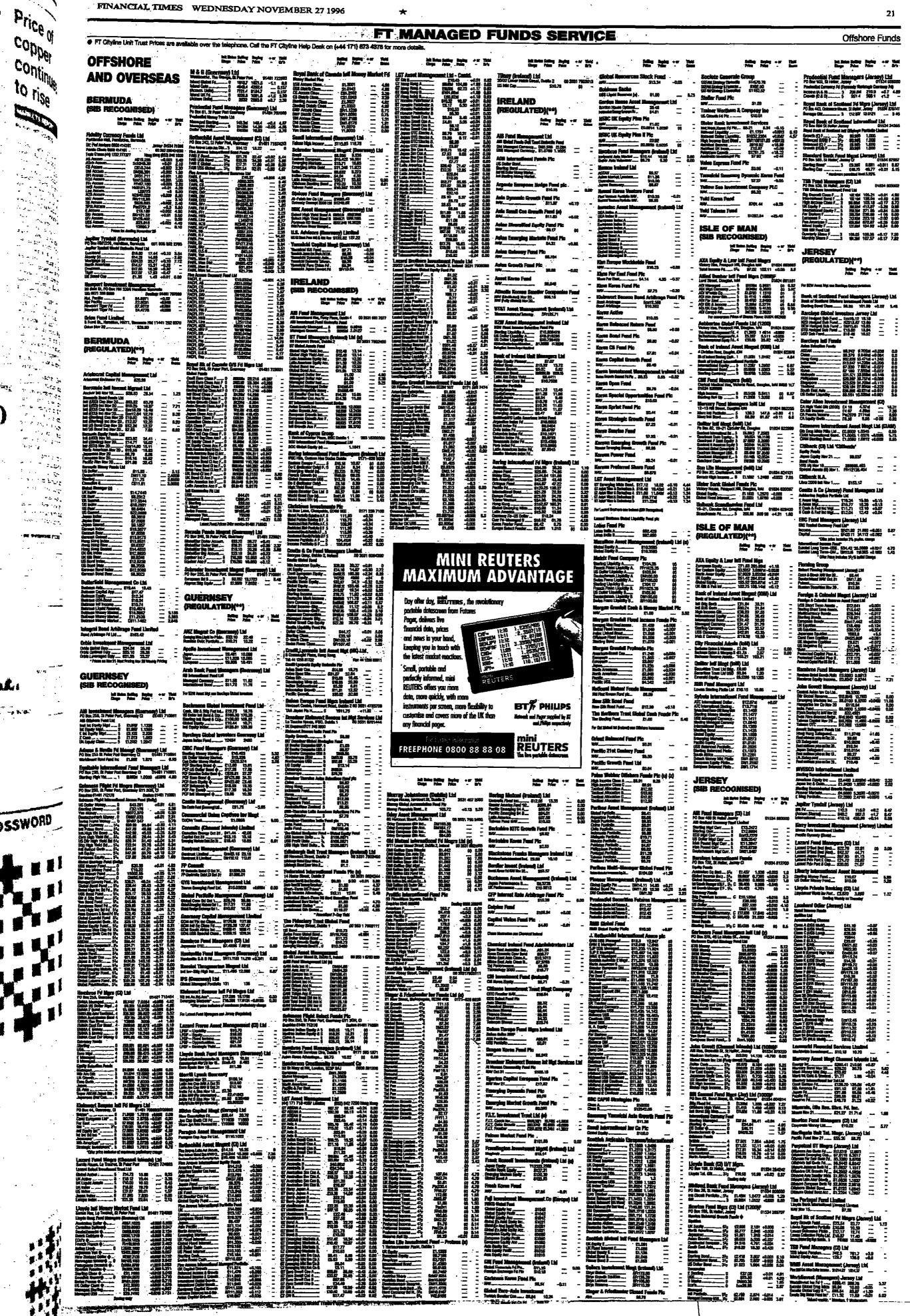
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continue to rise

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LONDON STOCK EXCHANGE

Dow reversal cuts earlier gains in shares

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

There were no real shocks or surprises for the stock market in the Budget, "It was pretty much a non-event for us," said the head of marketmaking at one big UK securities house.

"London's performance tomorrow will hinge on what Wall Street does tonight, rather than on the Budget measures, the majority of which came as no surprise," he continued.

Wall Street was the prime motivation behind London's topsy-turvy performance vester-

day, which saw the FTSE 100 he expected shares to move The Budget proposals were enjoyed another buying spree by index come within 6 points of ahead this morning if Wall Street concentrated on the usual tarbreaking through the 4,100 level, before reversing rapidly in mid-Budget, as the Dow saw an initial

ended with a 13.8 gain at 4,068.4, firmer at 2,167.7. just 0.2 above the session low and a far cry from its early Wall Street-inspired jump.

"If Wall Street drops 100 points, then we'll be under big pressure. on upwards." the marketmaker

Mr Philip Isherwood, UK strategist at Kleinwort Benson, said after an election."

performed steadily.

sedate day than Footsie, closing a big gain replaced by hefty losses. modest 1.1 up at 4,423.4, well off At the close of what began as a its session high - 4.431.0 - while frantic trading session, Footsie the FTSE SmallCap ended 1-5

Mr Richard Jeffrey, group chief economist at Charterhouse Tilney, the stockbroker, took a more cautious line: "In providing a significant stimulus to consumer Otherwise we should be able to spending, this will refocus attenconsolidate and thereafter move tion on interest rates; it's unavoidable, interest rates will have to rise further before the election and towards 8.5 per cent

gets: tohacro, some drinks, pet-The PTSE 250 index had a more rol, diesel as well as road tax, but through the 6,500 level. most of the damage had already been factored into the affected

> The big increase in taxation on "alcopops" had been widely anticipated but hit Bass and Merrydown. Imperial, the tobacco company, was sold after the big rise in duty on tobacco products. Holiday companies like Airtours and First Choice were

> insurance tax to 4 per cent.

cost it in excess of £3m. Mer-

rydown, which markets Two

Dogs, another leading alco-

pops brand, fell 11/2 to 981/2p.

had been widely anticipated

by the market.

The freeze on beer duty

Beneficiarles of the 260 a

bottle reduction in duty on

spirits included those distill-

ers which are the most

dependant on the UK mar-

ket. These included High-

land Distilleries, which rose

2 to 3331/2. Guinness hard-

ened 11/2 to 458%p and Grand

A broker's bullish circular

on conglomerate BTR helped

NatWest Securities yester-

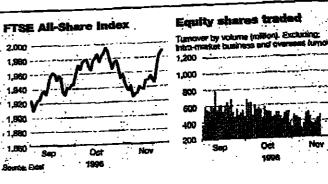
day advised clients to buy

the shares harden 11/4 to 239p

get and as the Dow sailed

Footsie kicked off yesterday in vibrant form, and as the chancellor rose to speak, the index was around 32 points higher at 4,086.6. London was helped by an initial rise on Wall Street, but quickly began to tail off, as the Dow reversed and gilts fell away.

Turnover at the 6pm reading was 808.4m shares, boosted significantly by a large number of bed mildly affected by the increase in and breakfast deals which were airport taxes, as were insurance thought to have accounted for companies by the increase in around 10 per cent of overall volume. Customer business on Mon-Earlier, the stock market had day was a lowly £1.1bn.



Oil Exploration

TSE 100 406 TSE 250 4422 TSE 350 201 TSE All-Share 1988. TSE All-Share yield 3.	3.4 +1.1 7.7 +5.5	FT 30 2633.0 FTSE Non-Fins p/e 18.08 FTSE 100 Fut Dec 4086.0 10 yr Gift yield 7.40 Long gitt/equity yld ratio 2.02	+4.4 18.05 +17.0 7.42 2.01
est performing sec	tors	Worst performing sector	rs 1.8

Electricity Extractive inds _+1.5 Textiles & Appar

Bid talk returns to EMI

By Peter John, Lisa Wood ⊶i Joel Kibazo

Talk of consolidation within the global media industry moved back on to the Sale' sign being hung over

Analysts have for some time considered EMI as the target of choice for Seagram. the former drinks conglomerate which has refocused on music and entertainment.

Yesterday Seagram's MCA arm sold its consumer books business to Pearson for goods. \$336m and at the same time stressed its commitment to believed the government was music and entertainment.

One analyst said: "Seagram will need a lot more is tidying up the ship for a big move.

shares lifted 26 to 1360%p. Pearson, which owns the Financial Times, fell 21/4 to 747½p.

would happen but, when Shell Transport came out overturned in late trading by and said it was not going to the Budget tax increase. buy British Gas, the latter fell anyway.

Mr Cor Herkstroter, the 'We are looking at many market

opportunities for takeovers but not at British Gas." Gas was more than 10 off at one stage but ended 41/2 lower at 231p. Shell Transport gained 41/2 to 1001p.

Prospects of a revaluation

for Lasmo and Enterprise gained credence yesterday after Saga Petroleum of Norway confirmed it was in talks about buying Santa Fe. the North Sea exploration company. A high price from Saga would have an impact agenda yesterday with a 'For on the other exploration and production companies. asmo lifted 51/2 to 223p and Enterprise 11 to 588½p.

Dixons was the main casualty in the retail sector, falling 20 to 550% p as the market struggled over the implications of the imposition of VAT on extended warranties on electrical

One analyst said he concerned that some companies offering warranties were rolling up some of the than \$336m to pick up EMI cost of the product into the but the deal is a sign that it warranty, thus paying less VAT. In future it appeared that retailers offering war-Any offer for EMI would ranties would pay full VAT probably be in the 1550p-a- on the whole package share range. Yesterday the although insurance companies offering warranties would pay less.

Leading insurers experienced volatile trading as a Few people thought it sharp rise on the back of overall market gains was With equity prices moving

up strongly in the US and chairman of Royal Dutch to financial stocks as a Shell, told Dutch journalists: highly geared way into the

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27 November 1996

Quickly: How does that

The FT GUIDE TO WORLD CURRENCIES, published in Monday's

TENFORE

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increase in the tax on insurance premiums and the gains were sharply eroded. Commercial Union, which had been up 39p on revived takeover speculation that cited Societe Generale, saw its rise more than halved when it closed 18 up at 675p. Guardian Royal Exchange closed a net 13% up at

& General 8 better at 3621/2p. after 3681/sp. The substantial increase in duty on "alcopops" adversely affected Bass, pro- Metropolitan rose 2 to ducer of Hooper's Hooch, the best selling alcoholic lemonade in the UK, where total sales of the tipple, said to

276%p, after 279%p and Legal

appeal to under-age drink- in solid volume of 24m. ers, are worth more than £300m a year. Bass slipped 4 to 810%p, the stock and also said it with analysts speculating sees a target share price in

Nov 26 Nov 25 Nov 22 Nov 21 Nov 20 Yr ago "High "Low 2833.0 2828.6 2810.5 2775.0 2784.9 2676.1 2885.2 2688.8 4.01 4.02 4.05 4.11 4.09 4.03 4.22 3.76 17.21 17.14 17.04 16.79 16.84 15.84 17.48 15.80 17.05 16.98 18.88 18.63 18.68 15.75 17.30 15.71 FT 30 Ord. div. yield P/E ratio net P/E ratio na

that the change in duty, excess of 300p. The broker

470%p.

Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2848.9 2837.6 2840,7 2839.7 2835.1 2837.9 2839.2 2838.5 2839.7 2851.7 2831.6 Nov 26 Nov 25 Nov 22 Nov 21 Nov 20 Yr ago 44,190 47,812 41,129 35,142 37,750 27,952 - 1082,8 1507,0 1046 1109,5 2103,7 - 32,041 27,686 23,341 24,414 33,932 - 418,7 477,4 438,7 384,2 768,0

Nov 26 Nov 25 Nov 22 Nov 21 Nov 20 Yr ago "High "Low 1037.50 1029.00 1024.90 1023.80 1023.80 — 1140.40 965.7

751

52 Week highs and lows Total Highs 135 Total Lows 71 Calls Nov 26 "Data based on Equity shares listed on the London Share Service.

Union FUTURES-OPTIONS-FOREX **24 HRS** Contact: Duncan Dunn Tel.: 0171 329 3030 Fax: 0171 329 0545

BERKELEY FUTURES LIMITED & FOREX 38 DOVER STREET, LONDON WIX 3RB PRIVATE CLIENTS WELCOME TEL: 0171 629 1135 FAX: 0171 495 0022

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Petroleum Argus European Natural Gas Repor Comprehensive daily report covering the UK and Europea

But, late in the day, the which will add about 8p to acknowledges the market Sentiment was further weakchancellor announced an the price of a bottle, could does not yet believe BTR's ened by news that SNCF, the core activities can generate a French railway operator, is return in excess of the cost considering ways to seek of capital.

However, the team at Nat-West take a contrary view: "The core businesses have generated returns in excess of the cost of capital and BTR is continuing to invest incremental return exceeds

Turning to the likely performance of the stock, analysts at NatWest Securities suggest, "near term performance is likely to be dull, but with a target price in excess of 300p and the balance of risk favouring the upside, the shares have long-term attractions."

Glaxo Wellcome and SmithKline Beecham gained after strong performances in their ADRs in New York on Monday and positive analyst comment. Glaxo rose 16 to 1019p and SmithKline Beecham 5 to 779p.

HSBC bounced 34 to 1299½p after a sharp rise in the Hang Seng index in Hong Kong, where half its shares are owned. The Hong Kong rise also helped Standard Chartered gain 7 to 675%p with further encouragement from a BZW buy note. In transports, the contin-

ued closure of passenger services at Eurotunnel, the channel tunnel operator, kept the stock under pressure and the shares surrendered another 5% to 75%p. making it one of the worst performers in the FTSE 250 French analysts said that.

as well as the cost of repairing last week's fire damage, the possible three month delay in the return to full services could cost the company a lot in terms of lost revenue and compensation Copyright. FISE into ments to train one

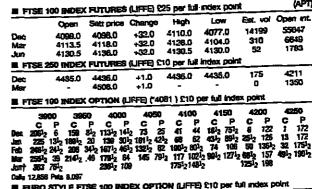
compensation for lost revenue and that it has suspended payment of its annual usage charge to

Europinnel. The company is to hold a press conference today at its Paris office.

The doubling of passenger duty tax - to be introduced next year ~ affected a number of holiday companies including Airtours which fell 14 to 668%p.

USM-quoted ML Laboratories shed 27% to 217%p. The shares have fallen almost 20 per cent since the company announced full-year profits on Monday.

FUTURES AND OPTIONS



EURO STYLE FISE 100 INDEX OPTION (LIFFE) \$10 per full index point 3828 3875 4025 4075 4125 4175 4225 42 178½ 6½ 133 10½ 9½ 16½ 55 32 28 54½ 11 87½ 3 123½ 1 282 16 158½ 22½ 188½ 22½ 82½ 45½ 53½ 57½ 22½ 96½ 18½ 13½ 12 231 30 190½ 39½ 152 51 117½ 65½ 39½ 88½ 68 115 45½ 145½ 31 233½ 44 196 55½ 161 70 123½ 87 89½ 108½ 78 132 54½ 159½ 37 288 84 221 113½ 164 155 663 864 221 113½ 1864 153

Carlo 5,617 Puts 3,081 * Underlying in LONDON RECENT ISSUES: EQUITIES

Issue		Mic.	40	996		Close price		Net	DE G	be F	AF
price		CED			Cleate	p p	+/-				/el
P	咿	(CML)	ngn	LDW	Stock	<u> </u>			W. 7	<u>~ '</u>	<u> </u>
90	F.P.	15.1	1075	100 ¹ 2	†Access Plus	10712		bZ2.49	-	3,0	13.8
3		8.15	44	- 4	Stautort	414		-	-		43.6
53	F.P.				Beecharoft	4		-	-		132
§157	F.P.			17012	Brands Hatch	17912	+8	W3.5		24	
.§130	F.P.		16212		Britt Allcroft	15712		L1.6		1,3	
§135	F.P.	50.9	17412	15212	Charles Taylor	17432	+1	LA2	0.3	2,0	55 .5
160	F.P.	102	16412	1552	Deep See Lessure	16212		-			-
	F.P.		29812		Druid Grp	293			-		31.9
	F.P.		9712		Exister inv	97 ¹ 2		W3.5	1.5	4.5	17.4
5	F.P.	31.5			First Russian C	595		-	-	-	-
100	F.P.	91.5	11312	8112	†Geo Inter Med	9112	-1	-	-	-	-
-	F.P.	88.5	138	11712	Granichester .	123 ¹ 2	-42	-	-	-	-
§100	F.P.	24.5	9812	9712	Hithcare Reform	98	-112	-	-	-	-
	F.P.	10.8	13212		t Jeroinerie Ints.	122l ₂		-	-	-	-
	F.P.		7912		Loftus Road	691 ₂	_	-	-	-	
	F.P.				Majastic Wines	225 2	412		-		13.2
	FP.				†Messa Group	1132	-4	K0.2		22	
§125	F.P.				Provend	12912		HW3.6	2.4	3.5	
§135	F.P.				Oliver Astrocarth	132l ₂	-2	F4.5	1.9	4.3	
	F,P.				Oriental Rest	$-238^{1}2$	-112	-	-		27.0
	F.P.				Scot Highland Hr	13812		P3.0	2.4	27	13.8
§	F.P.				Second St David	110 <u>12</u>		-	-	-	-
Š	F.P.	1.02	1012	912	Do Residual Cap	912	_	-	-	-	-
Š	F.P.	10.9	184 ¹ 2		Do Zero Div Pri	184 ¹ 2	+32	-	-	-	-
3	F.P.	25.8	3%	34	†Snakeboard	314		-	-	-	-
Altern		THE SUTTE	nt Mer	icest. Ş	Placing price. Inc	roduction	r. For	a 44 a	фэтв	don c	d at
Other sp	mbols	plaase	uațer F	The L	ondon Share Servic	se notes					
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MII	IES	IND	ΕX				ı
liov 名	% chg oc day	Nov 22	Your age	Gross div yieki %	P/E ratio	62 week High Low	_
1863,08	-28	1905.67	1836.83	1.64	•	2520.73 1896.1	3
	liov 名	Nov % chg 25 eachry	liov % chg Stov 25 ea day 22	25 oc day 22 ags	Nov % chg Nov Year Grass div	Now % cheg Now Year Gross div P/E 25 on day 22 aga yield % ratio	Now 1% chg Mov Year Gross div P/6 52 week 25 os day 22 ago yieki % ratio High Low

2348.10 -2.8 2415.18 2372.41 2095.80 -1.0 2117.26 2275.37 33.39 3553.85 2332.70 20.38 2927.34 2005.75 64.47 2186.39 1625.97 3.31 2.74

FTSE Actuaries Sh Produced in conjunction to				rs/Pose	of Act	uzries		Tr	ie U	K Se	ries
	Nov 26 c	Day's hge%	Nov 25	Nov 22	Nov 21		Div. yield%			Xd adij. ytd_	Total Return
FTSE 100	4068.4	+0.3	4054.6	4016.7	3953.8	3648.6	3.90	2.04	15.75	162.64	1697.35
FTSE 250	4423.4		4422.3	4411.3	4397.0	3941.7	3.54	1.49	23.65	165.93	1806.51
FTSE 250 ex IT	4460.4		4461.9	4451,8	4438.2	3960.3	3.63	1.52	22.67	174,13	1825.71
FTSE 350	2017.7	+0.3	2012.2	1997.1	1970.4	1807.1	3.82	1.93	16.95	79.66	1719.55
FTSE 350 Higher Yield	1932.4	+0.6	1921.4	1903.9	1872.8	1811.0	5.07	1.81	13.65	99.58	1386,91
FTSE 350 Lower Yield	2110.5		2110.5	2097.7	2075.0	1807.7	2.69	214	21.59	60.27	1480.76
FTSE SmallCap	2167.73	+D.1	2166.17	2163.91	2160,19	1947.21	3,17	1.58	24,87	65.30	1606.49
FTSE SmellCap ex IT	2167.76		2166.36	2167.31	2163,82	1929.12	3.38	1.65	22.41	69.14	1819.63
FTSE All-Share	1988.83	+0.3	1983.72	1969.77	1945,10	1781.41	3.77	1.91	17.38	77.13	1720.66
II FTSE Actuaries Ind	lustry S	ecto	rs.								
	- 1	Day's	-			Year	Div.	Net		Xot adj	Total
	Nov 26 c	hoe%	Nov 25	Nov 22	Nov 21	800	viaid%	COVER	ratio	vtd	Return

_			1900 - 100 100 100 100 100 100 100 100 100	, ,,,,,,,		
10	MINERAL EXTRACTION(23)	3911.61	+0.1 3907.06 3919.99 3833,01 308	8.41 3.65	1.71	20.07 142.73 1714.52
12	Extractive industries(5)	4176.09	-0.9 4212.70 4214.48 4142.21 429	6.69 3.89	2.66	12.10 162.00 1244.68
15	Oil Interrated(3)	4043.91	+0.1 4039.05 4055.68 3968.29 310	0.00 3.81	1.55	21.11 154.36 1821.34
<u> 16</u>	Oil Exploration & Prod(14)	2984,48	+1.5 2919.37 2919.98 2816.01 191	0.65 1.78	1.72	40.84 52.93 1796.85
20	GEN INDUSTRIALS(275)	1995.00	+0.2 1991.92 1985,77 1973,70 194	5.53 4.29	1.68	17.36 80.14 1113.48
	Building & Construction(34)	1165.75	1165.85 1164.53 1164.11 99		1.47	23.54 39.95 998.67
	Building Matis & Merchs(25)	1B21.21	-0.2 1824.66 1835.04 1814.66 177		1.40	21.05 75.00 939.75
	Chemicsls/25)	2387.31	+0.5 2374.58 2380.83 2368.29 235		1.44	20.11 98.47 1158.78
	Diversified Industrials(19)	1402.06	-0.3 1406.29 1404.52 1393.31 176		1.62	10.68 90.05 808.70
	Sectronic & Elect Equip(36)	2303.77	+1.0 2280.26 2256.44 2251,12 211	3.68 3.40	1.49	24.75 64.25 1214.99
26	Engineering(71)	2608.48	+0.2 2803.11 2586.35 2569.29 217		2.28	17.47 78.85 1611.83
27	Engineering, Vehicles(14)	3210.40	+0.3 3200.08 3153.18 3128.48 253	4.30 3.36	1.72	21.65 103.02 1694.52
	Paper, Pckg & Printing(28)	2497.76	-0.4 2507.18 2508.77 2499,00 250	6.06 4.15	1,82	16.58 97.81 1062.72
<u>29</u>	Textiles & Apparel(19)	1087,51	-0.8 1096.51 1100.15 1104.49 146	5.17 6.58	1.16	16.43 67.36 686.01
30	CONSUMER GOODS(82)	3805.44	+0.5 3787.63 3733.92 3681.02 355	9.15 3.81	1.94	16.93 139,77 1436.34
32	Alcoholic Beverages(8)	2752.51	+0.1 2749.93 2715.37 2700.42 282		1.70	15.92 104.19 1010.98
33	Food Producers(25)	2669.44	+0.6 2654.63 2632.03 2612.55 248	0.17 4.09	1.79	17.05 99.81 1231.43
34	Household Goods(15)	2623.97	+0.2 2619.38 2596.89 2596.14 262	3.16 3.89	2.26	14,21 191,20 1058,59
36	Health Care(18)	1984.72	+0.4 1976.78 1963.03 1949.80 196	1.93 3.02	1.99	20.83 55.92 1224,82
	Phormaceuticals(14)	5904.84	+0.8 5887.99 5786.70 5857.96 498	9.20 2.80	2.02	21.41 172.19 2040.38
<u>38</u>	Tobacco(2)	3881.92	+0.2 3853.37 3788.11 3893.96 478	9.11 6.71	2.13	8,74 262 07 994 51
40	SERVICES(252)	2611.33	-0.1 2614.14 2500,94 2580,68 220	5.73 2.88	1.97	22.10 79.56 1381.84
	Distributors(30)	2898.08	-0.1 2901.54 2920.85 2928.27 248		2.02	20.82 86.70 1087.81
	Leisure & Hotels(25)	3225.97	+0.2 3219.34 3212.03 3196.29 258	295 276	1.97	22,85 173.08 1754.33
	Media(44)	4295.22	+0.1 4290.17 4272.82 4235.11 356	3.11 2.14	2.10	27.82 93.50 1572.72
	Retailers, Food(14)	2065.43	-0.1 2068.49 2064.77 2053,46 191		2.28	14.37 72.78 1341.67
	Retallers, General(45)	2114.55	-0.7 2128.54 2105.98 2087.81 188		2.06	19.65 72.63 1234.62
	Brewerles, Pubs & Rest.(21)	3216.31	3217.83 3197.83 3183.07 279		2.00	19.33 74.44 1582.82
	Support Services(50) Transport(23)	2714.63	+0.5 2701.59 2675.09 2664.26 185	8.07 1.83	2.20	31.05 48.57 1743.70
_	 _	2616.86	-0.2 2620.96 2620.07 2588.98 219		1.20	28.31 93.48 1116.75
	UUITE8(33)	2488.33	-0.6 2502.53 2485.58 2428.94 249		1.75	13.48 173.24 1115.01
	Electricity(12)	2670.49	-0.9 2695.00 2704.71 2640.63 279		2.20°	9.06 435.85 1449.63
	Ges Distribution(2)	1550.95	-1.8 1579.75 1554.15 1493.35 165		0.83	19,41 119.71 848,64
	Telecommunications(8) Water(11)	2063.64	-0.2 2088.78 2040.64 1996.33 204		1.51	20.54 54.11 960.31
		2287,19	-0.1 2288.57 2300.62 2272.58 213		2.30	8.74 106.78 1300.59
68	NON-FINANCIALS(885)	2075.40	2074.60 2062.65 2036.56 188	0.00 3.80	1.82	18.08 82.78 1612.50
	FINANCIALS(104)	3393.31	+1.1 3355.14 3311.78 3267.31 286	7.55 3.92	2.98	13.49 126.67 1495.45
	Banks, Retail(8)	4856.19	+1.2 4798.10 4729.32 4853.81 404		2,71	12,34 175,98 1623,44
	Banks, Merchant(6)	3824.72	+1.8 3756.18 3744.31 3745,04 359		3.04	15,10 100.78 1232,91
	insurance(21)	1619.59	+1.4 1596.56 1572.12 1554.34 143		2.29	10,52 80,56 1254,63
	Life Assurance(7)	3987.17	+1.2 3938.10 3879,95 3817,47 348		1.78	17,98 151.01 1695.20-
	Other Financial(20)	2785.34	+2.0 2731.50 2696.38 2694.49 239		1.77	17.76 99.48 1622.01
W)	Property(42)	1704.77	<u>-0.4 1711.94 1708.89 1895.21 139</u>	<u>3.25 3.77</u>	1.27	26.12 55.81 1071.65
80	ENVESTMENT TRUSTS(126)	3170.05	+0.5 3152.85 3139.28 3124.04 295	7.05 2.24	1,14	49.05 66.87 1120.14
豑	FTSE All-Shere(895)	1988.83	+0.3 1983.72 1989.77 1945.10 178		1.91	17.36 77.13 1720.66
गञ्च	F Fledgling	1222.97	+0.2 1221.10 1218.60 1215.88 109		0.65	58.04 32.66 1297.89
	Fledging ex IT	1237.30	+0.1 1235.78 1233.18 1229.98 109	874 209	0.57	
				0,14 3,03	U.5/	72.84 35.54 1314.92

■ Hourty mo

FTSE 100

FTSE 250 FTSE 350

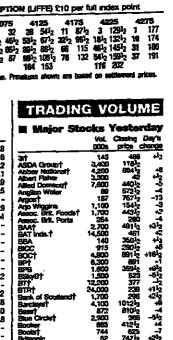
Time of FTSE 100 Day **■ FTSE 350**

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.60 18.10 High/day Low/day 4092.8 4075.9 4080.3 4077.5 4072.1 4077.4 4078.1 4076.6 4081.7 4084.4 4068.2 4430.1 4428.6 4428.1 4426.0 4425.9 4426.2 4426.7 4428.2 4431.0 4423.4 2627.8 2021.3 2022.7 2021.7 2076.4 2021.5 2022.2 2021.3 2023.4 2026.6 2017.7 Ve logic 8/35 AM Day's low: 429 PM. FISE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96) . 16/07/96) . 16/07/96) . 16/07/96) .	UTCHE	TILE .										
4430.1 4438.6 4428.4 4428.1 4428.0 4425.9 4428.2 4428.7 4428.2 4431.0 4423.4 2027.8 2021.3 2022.7 2021.7 2019.4 2021.5 2022.2 2021.3 2023.4 2028.6 2017.7 /s topic 835 AM Day's low: 429 PM. FTSE 100 1998 Hight 4073.1 (21/1096) Low: 3832.3 (16/07/96) .	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	18.10	High/day	/ Low/day	
	4430.1 2027.8 Vis Ngts. B	4429.6 2021.3 35 AM Dep	4426.4 2022.7 Ys Xoe: 42	4428,1 2021,7 9 PML FTS	4426.0 2019,4	4425.9 2021.5	4426.2 2022.2	4076.6 4426.7 2021.3	4081.7 4428.2 2023.4	4094,4 4431.0 2028.6	4068.2	

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.10 Close Previous Clas 1134.8 1134.8 1133.8 1133.4 1133.2 1132.9 1132.1 1131.3 1131.8 1131.8 1131.5 5674.9 5682.0 5667.0 5665.4 5663.1 5676.3 5882.3 5887.0 5663.4 5831.9 5794.8 2289.9 2284.8 2279.1 2279.0 2282.1 2283.0 2263.4 2283.5 2280.9 2274.4 2275.8 4941.2 4905.0 4826.8 4919.7 4920.7 4624.8 4924.3 4923.5 4937.5 4918.2 4859.3

beans, Heast 49-1.2 49030 4919.7 4920.8 4919.4 4924.3 4923.5 4937.5 4919.2 4959.1

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	FINANCIAL TIMES WEDNESDAY NOVEMBER 27 1996	*	27
	Highs & Lows shown on a 52 week basis	WORLD STOCK MARKETS	
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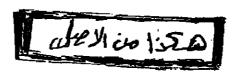
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FINANCIAL TIMES WEDNESDAY NOVEMBER 27 1996 *		NACRAO NATIONAL MARKET
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US shares surrender early gains

US shares fluctuated wildly as momentum from Mona bout of profit-taking, amid \$1bn. worries about the continuing

Average swung through to concerns that corporate more than 92 points in the first two hours of trading, first climbing nearly 42 points and then falling back cyclical companies lost 0.9 sharply. By noon the blue per cent while the counterchip average was 23.85 weaker at 6,523.94.

The more broadly traded Standard & Poor's 500 was also volatile, rising more than 5 points and then falling back to a loss of 1.87 at 755.16 by midday. NYSE volume was heavy at 285m

Equities began the day stronger and then jumped after IBM, a component of the Dow and a leader in the recent post-election rally, announced that its board had approved the repurchase of an additional \$3.5bn worth of shares, IBM shares shot morning they were \$% lower at \$157%.

Technology shares were 5,952.09. also weeker in the wake of The Nasdaq composits, which is weighted toward early gains, but technology, was off 7.97 at trend in the US i 1,272.40 and the Pacific Stock led shares lower. Exchange technology index lost 0.8 per cent.

sing agreement with Korea's Samsung Electronics that led a clutch of continental was expected to create royday's rally was cut short by alty payments of more than

A report from the Confer-

future conditions was wan-The Dow Jones Industrial ing, lifted bonds but added profit growth might slow, hurting cyclical shares. The Morgan Stanley index of part index of consumer goods companies, generally seen as safe havens in times of economic slowing, added

0.2 per cent. Mr Thomas McManus, an equity strategist at Morgan Stanley, did not think that investors had priced a slowing economy into the value of cyclical shares.

Gains in Disney, which climbed \$1% to \$75%, helped support the Dow. Early yesterday, the media giant announced earnings that were better than analysts

TORONTO edged lower in up \$3% but almost as quickly a morning session domi-began to fall back. By late nated by Wall Street's volatility. At noon, the 300 com-posite index was off 0.32 at

Solid gains among transstrong gains in the sector. port shares and for leading financials helped underpin early gains, but the dull trend in the US finally pul-

Alcan Aluminium dipped 30 cents to C\$47.10 and Meanwhile, Texas Instru- Northern Telecom came off ments jumped \$3% or 7 per 25 cents to C\$24.75. Seagram cent to \$60% on news that it gained 65 cents to C\$54.80.

Mexico City halts slide

and foreign investors ando Henrique Cardoso the brought to a close a run of chance of a second term in HK\$95.50. Among property seven consecutive weak sessions in MEXICO CITY and also helped Mexican ADRs, investors also awaited news traded on Wall Street. The on the privatisation of the IPC index picked up 23.79 to mining giant, Companhia 3,270.44 at midsession as Telmex L shares rose 12 cents Banespa was suspended to 11.84 pesos and the ADRs after a press report that the to a third consecutive day, TDK leapt Y380 to Y7.550. rose \$% to \$30 in New York. Sao Paulo state bank had towed higher by Wall Street, and Sharp Y70 to Y1,830.

Bargain hunting by domestic would give President Fernoffice. The Boyespa index stocks, Hysan rose 70 cents was 41 weaker at 66,451 as to HK\$30, New World Devel- hot: Honda Motor rose Y100 SAO PAULO edged back as made a net profit of and by its own international

S Africa golds pressured

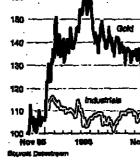
Golds feil to a 10 month low in Johannesburg, but industrial shares rode to the rescue and at the close of trade the overall index was up 30.0 at 6.271.3.

Golds stayed firmly on the downside with further weakness for the bullion price causing a severe shakeout for the sector. Dries fell R2.50 to R53.50 and at the close the golds index was off 48.4 at 1.572.9.

In contrast, there was a significant bounce for industrial shares. The half-year results from Anglo American were better than expected, and brokers said that there had been aggressive futures driven buying across the board.

Leading industrials were heavily in demand. Anglo American put on R1.25 to R257.25 and Absa gained 75





Do Beers ended R2.25 better at R138. By the end of the session

the industrial index, which staged slight gains on Monday in the face of sliding golds, finished 60.3 higher at 8,015.4.

Frankfurt leads clutch of continental highs

Strength in the dollar and the domestic bond market New 26 pace that it needed. Skimming over the failure of regional wage talks in the engineering industry, and transatiantic volatility on Wall Street, the Dax index all-time highs as it rose 8.10 to an Ibis-indicated 2,808.62.

The key index ended at its low for the day against a strength of corporate earn- ence Board, showing that high of 3,821.95. However. ings, writes Lisa Bransien in consumer confidence about the dollar continued to lift exporters, BASF led chemicals with a rise of 75 pfg at DM54.80, and BMW led the big three carmakers, as it rose DM15.60 to DM981,10. In steelmakers, Preussag put on DM8.65 at DM367.65. The construction sector

> was more mixed. Deutsche Morgan Grenfell increased its loss per share forecast for the ailing Philipp Holzmann to DM31.10 from DM13.60 for 1996, and from DM1.30 to DM57.20 for 1997. Holzmann shares dropped DM19 or 4.9 per cent to DM366 while Bilfinger & Berger, 4 per cent down on Monday, recovered DM1.50 or 2.8 per cent to

AMSTERDAM hit a further record high, riding on the back of another strong notably Philips which to Fi 110.20.

FTSE Actuaries Share Indices gave FRANKFURT the extra Houry changes Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FTSE Europack 100 1880.38 1858.74 1858.58 1856.09 1856.19 1860.15 1858.23 1888.19 FTSE Europack 200 1813.71 1812.89 1812.50 1810.51 1811.54 1813.58 1812.71 1815.56 Nov 25 Nov 22 Nov 21 Nov 20 Nov 18

1853.57 1836.10 1827.09 1828.68 1934.80 1802.73 1883.92 1879.87 1869.15 1869.65 FTSE Euroback 100 FTSE Euroback 200 Boom value 1000 (Bir1676); Highling: 100 - 1851 Dk. 200 - 1913.55 Leming: 100 - 1858-09 200 - 1809-02. † Parlid. © 1705 Ingenetical Lindon 2005. No figure reserved. surged more than 5 per cent.

There was good two-way volume in selected stocks and at the end of the session the AEX index had gained 0.61 per cent, rising 8.83 to 627.10. Philips was heavily in

demand after Morgan Stanley raised it to outperform in New York. It rose F13.80 to Pl 69,20. PolyGram, the electronics giant's music off-shoot, slipped Fl 1.50 to Fl 84. Unilever advanced F17.70 or 2,65 per cent to F1 298,60 and Royal Dutch by F12.40

News of a higher rival bid for Standard Federal Bank of the US, which late last week agreed a \$1.9bn takeover from ABN Amro, sent the Dutch banking group sharply lower. Charter One, an Ohio-

to Fl 292,70.

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based savings bank, put in the better offer. investors worried that ABN would be the back of another strong forced to step up its own bid, day for international stocks, and the shares slipped FI 1.90

Share price and index, rebesed

Y3.300 in 7.4m shares: the

office equipment maker. Ricoh, hit a 1996 high as it

closed Y50 higher at Y1,250;

although the Japanese tyre

Among regional banks,

there was more fallout from

the Hanwa Bank closure,

another Y28 to Y191 on mar-

gin transaction-linked sell-

ing as well as worries over

In Osaka, Bank of Kansai fell Y30 to Y610 as the OSE

average put on 36.01 at

SINGAPORE saw brisk

demand for banks and small

capitalisation stocks as for-

eign fund managers adjusted

regional portfolios. The

2,219.88 in healthy volume of

KUALA LUMPUR's blue

The composite index rose

Banking stocks were invig-

196.5m shares.

its financial health.

Tokuyo City Bank shedding

Fortis Amey added 30 cents to F1 56.80 ahead of recent fire. tomorrow's nine-month

Among the other record breakers, MADRID slowed it would be prepared to bid as the Dow slipped in the answ for the Thomson group late European afternoon, the general index closing 1.06 higher at 398,49. COPEN-HAGEN was the Nordic survivor, the KFX index climbing 1.30 to 131.49, although dealers foresaw profit taking and modest falls in the days

results statement.

HRUSSELS seemed tied to FFr123 after news that the the Dow and the dollar as it De Benedetti holding com-8.79 higher at 1,880.7. The fifth all-time high was in an unusually tentative ISTAN-BUL, which left the compos-ite index just 255.16 or 0.3 per cent better at 88.335.02. PARIS ended modestly lower at the end of a mixed session of narrow and hesitant trading as worries about industrial action

undermined the franc.

At the close, the CAC 40

was off 2.06 at 2,275.08, mostly held in check by a clear wobble of the franc against the D-Mark as the French truck drivers striks clocked up its ninth day.

Eurotunnel plunged more than 7 per cent for the secand day running, falling 55 centimes to FFr6.45 in volume of 7.5m as trading concerns hardened and insurers counted the cost of the

Alcatel-Aisthom moved FFr8 lower to FFr462.10 after hints from the company that should the chance arise. At the other end of the

day's performance charts. Carrefour put on FF187 to a new high of FFr3,180 as shares in the supermarket leader responded to brokers' buy recommendations. Cerus jumped FFr2.90 to

peaked with the Bel-20 index pany planned to sell its stake in the Spanish group, ZURICH was subdued by a 3.2 per cent fall in UBS after the bank announced a restructuring which would

> extraordinary one-off charge of about SFr3bn. UBS bearers fell SFr41 to

Share orice relative 106

> failed to materialise. Other weak financials took their lead from UBS, although Swiss Re added SFr7 to SFr1,449 ahead of today's

dividend payout, The broad market was easier, with the SMI index down 18.3 to 3,878.4. Against the trend, Nestlé rose SFr9 to SFr1,407 and SMH, the watchmaker, picked up SFr11 to SFr827, both responding to strength in the dollar.

MILAN was weak following a decline in domestic result in a net loss of bonds and the lira, on con-SF:500m this year, after an cerns about the prime minister's legal problems. The Comit index eased 0.39 to 658.96 while the real-time SFr1.229 as high hopes for Mibtel index turned back positive news from UBS from a high of 10,580 to close

68 weaker at 10,424. Gemina, the financial

holding group, rose L24.7 or 3.2 per cent to 1.795 ahead of tomorrow's shareholders meeting to approve the spin-off of its industrial, clothing and editorial holdings into a new company, HPI. Gemina, however, denied market talk that it would seek a separate listing for its GFT subsidiary. sattle like tighter p

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Olivetti fell L10 to L554.4 on news that Cerus, the French holding company of its former chairman, Mr Carlo de Benedetti was to sell its stake in Spain's Cofir. through a private international placement.

STOCKHOLM took profits, and trimmed banks and insurance shares after the government took issue with Monday's proposed merger between the insurance company, Skandia, and mortgage institute, Stadshypotek.

Skandia and Stadshypotek both dropped SKr8, or just over 4 per cent to SKr189 and SKr195, with the respective sector indices down by 2.9 and 1.5 per cent.

The Affärsvärlden General index broke its uptrend with a fall of 19.4 to 2,285.8. Profittaking left Ericsson Bs down SKr4 at SKr204.

Written and edited by William

Hong Kong extends record run in high turnover

A surge in banking shares, which saw rotational buying after their recent weakness. added to a continued bullish tone in the property sector and propelled HONG KONG to another record close. The Hang Seng index rose

245.94 to 13,465.33, off an intra-day peak of 13,495.38 in turnover of HK\$13.1bn, its highest level since January 5 HSBC Holdings rose HK\$5

to HK\$163 and Hang Seng Bank jumped HK\$4,25 to opment advanced HK\$2.10 to to a new lifetime high of HK\$51.50 and Henderson Land rose HK\$1.00 to

TOKYO extended its gains discussions began on a re- R\$786.3m in the first nine blue chips, writes Our Mar- to Y2,120, after Y2,150, kets Staff

The Nikkei 225 average rose 124.68 to 21.418.25 after a terpart. Pirelli, both denied a day's high of 21,459.77, and a rumour that Bridgestone low of 21,254,44. Traders said would buy Pirelli-Armthat the gains were not strong, Pirelli SpA's US unit. linked to the Bank of Japan's tankan, or quarterly survey on business senti-

ment, due early today. Turnover rose from 305m shares to 387m. Advances led declines by only 535 to 524, with 182 unchanged as broad market gains were capped by profit taking.

The Topix index of all first section stocks rose 6.32 to 1,584.79 and the Nikkei 300 by 1.57 to 299.37. In London, the ISE/Nikkei 50 index rose 1.13 to 1488.76.

Brokers said that the recent trend of selective Straits Times Industrial investment in international index ended 14.19 higher at blue chips was unlikely to change much because of the tankan data. NTT rose Y16,000 to Y830,000 and Yamaha by Y130 to Y1,960 chips continued their foray into high ground for 1996. its earnings prospects.

With the dollar extending 9.11 to 1,284.73. its renewed recovery against the yen, exporters stayed orated by news of a M\$2.2bn

ker, Rashid Hussain, and Maybank for Rashid's purchase of 75 per cent of Kwong Yik Bank.

SEOUL slid to a 37 month low, in spite of the government's plan to boost share buying by investment trusts. Concern over worsening fundamentals left the composite index 0.48 lower at

715.97.

MANILA finished lower in thin trade and the composite index closed off 80.18 at 3,074.28. Concerted selling left Philippine National Bank 7.50 pesos down at 33.50. In contrast, Philippine National Construction rose 2.50 pesos, or 20 per cent to an all-time high of 15 pesos, boosted by upbeat contract

exchange members of manipulating prices. Prices have fallen for the past seven sessions, after months of sharp rises that took the DSE index up from around 1,100 in September to 3,900 on November 18. Yesterday, the index tumbled 99.90 or 3 per cent to 3,217.67.

DHAKA suspended trading after demonstrators laid siege

to the exchange, writes Kasra Naji. The demonstrators,

mostly traders on the unofficial kerb market, accused

ulative trade which left the BSE-30 index down 46.54 at 2948.44. ACC, the country's largest cement maker, plunged 11.8 per cent to Rs1,020 in off-market kerb deals on news of a steep fall in first half net profits.

China's hard currency B

indices took another rollercoaster ride.

SHENZHEN's B shares BOMBAY was weak after rose another 9.5 per cent at one stage, before profit-taka session dominated by specing pulled the index back to

close 1.70 higher on the day

at 185.14. SHANGHAI's hard

currency index picked up

1.104 to 53,766. the second day running as gold price weakness. The All political uncertainties continued to overshadow trad- 12.7 at 2,382.0. The gold ing. The SET index finished index was down 51.8 at

9.63 lower at 958.14.

"Until we see who is in the new cabinet, sentiment is going to remain on a knife-edge", sald one broker. The cabinet is expected to be sworn in on December 1.

Krung Thai Bank was the most active stock, falling Bt1.50 to Bt77.50 and National Finance came off Bt1.50 to Bt65. WELLINGTON closed

higher, helped by Wall Street's strong overnight gains. The NZSE-40 capital index gained 17.12 to 2,356.29. SYDNEY edged lower, depressed by the strength of BANGKOK retreated for the Australian dollar and Ordinaries index ended off

© CREDITANSTALT Bridgestone climbed Y40 maker and its Italian coun-



The Financial Times plans to publish a Survey on

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on Thursday, December 12

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Figures in parentheses US	Day's	Pound	W. (888.4)		Local	Local	Gross	US	Pound	O - EMIDE		Local			Year
show number of lines Doll			Yen	DM	Currency		Div.		Starling	Yan	DM	Currency !	17 wastel	طعمت 🕫	
of stock Inde		Index	Index	Incex	Index	on day	Yield	Index	Index	Index	index	Index	High:		(scroque)

Australia (78).,,,,,	36 0.5	197.96	156.64	178.41	183,09	0.6	4.16	222,28	196.01	156,28	179.60	182.07	223.36	183.80	163,80
Austria (24)		184,26	131.79	146.38		0.3	1.95	186.78		131.32	145.88	145,82	195.04	168,38	
Seigkm (27)	95 - 0,8	201.14	161.39	179.25		0.3	3.60	225.60	201.76	160.86		174,74		197,58	
Brezil (28)160	96 -0.1	160,38	128.69	142.92	343,29	-0.1	1.78	181.15	159.75	127.36	141 <i>.4</i> 8	343.65	189,70	1\$1,21	
Canada (116)194		172.69	136.40	153,81	186,13	0.5	1.81	193.97	171.05	135.38	151,50	168,10	194,74	144,35	148.44
Denmark (30)	27 -0.3	300.69	241.26	267.98	269,06	0.8	1.71	340.20	300.00	239.15	265,70	286.95	340.41	278,89	279.98
Firend (24)	60 - 0.5	212.38	770.30	188,24		0.3	2.18	240.85			168,11	229.24	240.85	171.75	
France (93)212	37 0.0	188.22	161.02	167,73		0.9	2.85	212,41	187.32	149.34	155,90	169,70	212,41	167.70	182,33
Gennaty (56),187.		185.81	133.04	147,78		1.0	1.65	187.38	185.23	131.73	146.34	146.34	186.59	159,82	
Hong Kong (69)	52 O.S	446.26	358.08	397.69	499.84	0.6	3.10	500,67	441.51	352.00	391.03	497,00	503.52	382.78	362.78
Indonesia (27)		200,78	181.10	178.03	325,97	1.5	7.57	223.05	196,69	156.82	174,20	320.87	_	_	_
Ireland (16)316		280,64	225.18	250.09	266.63	0.0	3.43	318,70	261.04	224.07	248,91	268.70	319.32	249.60	258,47
Mary (56),		73.55	59.09	65.63	93,36	-1.0	2.22	84.14	74.19	59.15	85.71	94.29	84,53	87,22	89.20
Jenes (480)142		126,13	101.20	112,40	101.20	0.4	0.76	143.36	126,42	100.79		100,79	164,66	137.62	
Melayate (107)		834,96	429.23	476.73	588,82	6.8	1.07	500.31	529.37	422.05	489.85	582,27	603.60	445.00	445.00
Merden (27),1165.		1034,15	829.76	921.58	10103.34	-1.3	1.09	1189.75	1049.17	635.48	929.23	10238.07	1325.85	936.49	856.97
Natherland (19)	96 D.1	290.65	233.21	259.02	255.16	1.2	2.90	327.54	288.84	230.28	255.81	252.00	327,95	282,62	262.62
New Zealand (15)		81.51	85.40	72.64		-0.7	4.02	92.94	81.95	65.34	72.59	60.04	94,35	76.94	
Norway (35)		248.64	199,88	221,76		0.5	2.07	283.54	250.04	199.35		243.83	283.54	222.24	
Philippines (22)196.		173,73	139.39	154.82		0.1	0.62	195 73	172.60	137.61		258.29		-	
Cineman (48)		371,84	298.35	331,38		0.4	0.99	418,11	368,71	293.96		289.81	485.21	371.28	371,42
Singapore (43)		286.90	230.20	255.67	325.92	-0.7	2.40	325.82	287.32	229.07	254.47	328.30	437.76	314.20	
South Africa (44)		178.12	141,31	158.95		0.9	3.11	198.95							
Spain (37)		389.29	296.31	329.09		0.7	2.08		175,44	139.88	155.39	190.55	196.95	157.88	
Sweden (48)416.			175.82	195.28				415.66	366.54	292.24	324.64	407.22	416.67	294.19	
Switzerland (37)247.		219.13				0.2	1.51	249,95		175.73	195.22	196,32	254.34	218.29	
Trailand (45)		107.67	86.39	95.95		-0,6	2.85	122,44	107.97	86.06	95.63	120.78	193.95	112.17	
Linited Kingdom (213)272.		241,33	193,54	215.06		0.8	3.94	271,47	239.40	190.86	212.03	239,40	272.30	222.43	
USA (824)307.	<u> 1.1</u>	272.86	218.77	242.98	307,64	1,1	1.95	304.25	268,30	213,90	237.62	304.25	307.64	243.34	245.90
Americas (795)	25 1,0	249.27	200.00	222.13	236 41	1.1	1.94	278.35	245.46	105 70	217.40	233.94	281.25	222.53	224.13
		207.67	166.63	185.07	109.27	0.7	2.91	234.56	208.85		183.20	197.88	234.58	184.31	198.03
Europe (720)234		314.61	252.43	260.37	305.21	0.6	2.04	355.21				304.40	355.21	261.13	
Nordia (137)354.	8 -0.1	142.01	113.94	126.55		0.4	1.22	160.96	313.23	248.73					
Pacific Beain (876)160.			135.81	150.84	146.64	9.6	2.09		141,94	113.17	125.72	114,62	177.01	163.87	
Euro-Pacific (1595)		169,27		237.66				191.51	168.88	134.65	149.58	148.00	191.51	172.18	
North America (740)		265.69	213.98	185.08		1.1	1.94	297 69	262.51	209.30			300,90	237.55	
Europe Ex. UK (507)	39 - 0.3	185.22	148.62		173.72	9.6	2.30	209.70	184.92	147.43	163.78	172.82	209,70	174.81	177,87
Pacific Ex. Japon (395)316.	20.6	280,16	224.78	249.65	271.10	0.5	2.75	314.64	277.46	221.21	245.74	269.64	316.08	24B.67	248.67
World Dr. US (1811)192.	17 -0.3	171.02	137.22	152.41	152.12	0.5	2.07	193.47	170.61	136.03	151.11	151,32	183,47	173.24	173.24
World Ex. UK (2222)	99 0,3	199,32	189.93	177.62	192.23	8.0	1,81	224.11	197.63	157.57	175.04	190.72	224,89	102.43	192.43
World Ex. Jepen (1965)274.	86 0.6	243,43	195,32	216.93	257.63	0.9	2.32	273.01	240.75	191,94	213 <i>.</i> 23	255.38	274,68	224.22	224.22